







State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149  
(614) 644-3020  
FAX (614) 644-2329

George V. Voinovich  
Governor

Donald R. Schregardus  
Director

AMENDED CLOSURE PLAN NOTICE OF DEFICIENCY

CERTIFIED MAIL

August 12, 1994

RE: AMENDED CLOSURE PLAN  
DOW CHEMICAL COMPANY  
OHD039128912

Ms. Katherine Anderson  
Dow Chemical Company  
Hanging Rock Plant  
Gilruth Lane  
Ironton, Ohio 45638

RECEIVED  
WMD RECORD CENTER

AUG 24 1994

Dear Ms. Anderson:

On October 1, 1993, Ohio EPA received from Dow Chemical an amended closure plan for the Old Drum Storage Area (S01) located at Gilruth Lane, Ironton, Ohio 45638.

This amended closure plan was submitted pursuant to Rule 3745-66-12 of the Ohio Administrative Code (OAC) in order to demonstrate that the Dow Chemical Company's proposal for closure complies with the requirements of OAC Rules 3745-66-11 and 3745-66-12.

Pursuant to OAC Rule 3745-66-12(D)(4), I am providing you with a statement of deficiencies in the amended plan, outlined in Attachment A.

Please take notice that OAC Rule 3745-66-12 requires that a modified amended closure plan addressing the deficiencies enumerated in Attachment A be submitted to the Director of the Ohio EPA for approval within thirty (30) days of the receipt of this letter.

The modified amended closure plan shall be prepared in accordance with the following editorial protocol or convention:

1. Old Language is over-struck, but not obliterated.
2. New Language is capitalized.
3. Page headers should indicate date of submission.



Ms. Katherine Anderson

Page Two

4. If significant changes are necessary, pages should be re-numbered, table of contents revised, and complete sections provided as required.

The modified amended closure plan should be submitted to: Ohio Environmental Protection Agency, Division of Hazardous Waste Management, Attn: Tom Crepeau, Manager, Data Management Section, P. O. Box 1049, Columbus, Ohio 43266-0149. A copy should also be sent to: Mike Moschell, Ohio EPA, Southeast District Office, 2195 Front Street, Logan, Ohio.

Upon review of the resubmitted plan, I will prepare and issue a final action approving or modifying such plan. If you wish to arrange a meeting to discuss your responses to this Notice of Deficiency, please contact Mike Moschell at (614) 385-8501.

Sincerely,



Donald R. Schregardus  
Director

DRS/MM/jg

cc: Tom Crepeau, DHWM, Central File, Ohio EPA  
Section Chief, Ohio Permit Section  
USEPA - Region V  
Randy Meyer, CO, Ohio EPA  
Mike Moschell, Ohio EPA, Southeast DO



## ATTACHMENT A

1. Section 2.2.2 of the closure plan shall be amended to state that the maximum depth of excavation shall be based upon the achievement of closure performance standards, and shall delete the reference to the use of olfactory indicators of contamination. In general, the methods to be used to determine the maximum extent of contamination are not clearly described in the plan. The following comments must be addressed in the amended plan:
  - a. the maximum depth of excavation is not defined; is it 8 ft. (pg. 2-2) or to non-detectable levels for constituents of concern?
  - b. no mention is made as to why the previously-excavated zones (excavation 1 & 2, both 16 x 16 ft.) are not considered in this closure.
  - c. the plan fails to address possible contamination under the storage building. Since it appears the building was built over a contaminated area, a boring should be made at least in the southeast corner of the building and a sample should be taken. Remedial options for contamination under the building must be included in the plan.
2. Section 2.2.3 of the closure plan shall be amended to state that excavated contaminated soil will be managed as a hazardous waste until demonstration is made to the contrary. It is strongly recommended that a disposal site be chosen for hazardous waste-contaminated soils before excavation begins. Contact must be made with the chosen disposal or treatment facility prior to excavation to determine the proper containers to use for storage and transportation of the contaminated soils. The plan's assumption that "rolloff" containers are suitable must be verified with the treatment/disposal facility and the containers' acceptability documented in the amended plan.
3. Section 2.3.1 of the closure plan shall be amended to include contaminated soils with detected levels of acrylonitrile as the U009 hazardous waste code, as this waste code is referenced on the facility's 1981 Part A Permit application form. The amended plan must also provide a list of all waste codes for hazardous wastes stored on the pad during its operation, and the maximum inventory quantity of the stored waste. Dow should confirm the Land Disposal Restrictions standards for F039 as listed on pg.2-4 of the plan, as the reference to acrylonitrile may be incorrect. Soil types and stratification information must also be provided in the amended plan as an appendix.
4. Section 2.3.2 shall be amended to provide the names, locations, and identification numbers (if applicable) of treatment and/or disposal facilities for hazardous and non-hazardous wastes generated from implementation of this closure plan.

5. Section 3.1 of the closure plan shall be amended to state that the manufacturer's specifications for operation and calibration of the field gas chromatograph unit shall be followed during its use. A brief summary of quality assurance and quality control methods for this unit shall be provided in the amended plan. In collecting the soil samples, the plan shall be amended to provide details of how the soils will be handled to prevent or minimize volatilization of hazardous waste constituents during sampling. The plan shall be amended to provide for taking confirmatory soil samples at points where no 'hit' is found with the soil gas instrument. If a 'hit' is found, then soil gas data shall be collected at a deeper point until no 'hit', at which point a confirmatory sample will be taken for laboratory analysis.
6. Section 3.2 of the closure plan shall be amended to provide for discrete samples from each of the excavation grid sections on the excavation's floors and walls, rather than a single composite sample from the entire area. This is necessary to identify the horizontal and vertical extent of contamination in soils. However, it is permissible to composite the 3 samples from wall 9 and (separately) to composite the 3 samples from the floor of grid 49A. The plan shall state that in the event the laboratory results indicates contamination in the grid that is above the closure performance standard levels, excavation of the entire grid area will occur. Soil sampling methods and equipment decontamination or disposal procedures shall be specified in the amended plan. The name of the receiving laboratory shall be specified in the amended plan. The "analysis procedure" section shall also include sampling any free liquids found in soils using the Paint Filter Liquids Test. Liquids produced from this test shall then be tested for the ignitability characteristic.
7. Section 3.3.1 shall be amended to provide procedures for protecting soil sample aliquots from volatilization of hazardous waste constituents during the sampling process, to the extent that is practical. The amended plan shall state that containers holding excavated soils shall be stored closed except when adding, removing, or sampling the soils.
8. Section 4.2 of the closure plan shall be amended to specify the name of the independent professional engineer and to briefly state the engineer's qualifications pertaining to closure of hazardous waste units. A copy of the exact language to be used for the engineer's and owner/operator's certification statements shall be provided in the amended plan.
9. Section 5.0 of the closure plan shall be amended to provide a five day notice to the Ohio EPA's Southeast District Office of all sampling events.
10. Risk assessment comments:
  - a. Dow Chemical has failed to adequately define the extent of contamination. Data also shows contamination outside the

unit at sample locations 18 and 23 of Phase I sampling; this contamination is not addressed in the plan. The plan must be amended to provide for determining the extent of contamination on the vertical axis. If further sampling indicates that the health based standards for ethylbenzene and styrene are exceeded, Dow shall amend the risk assessment to include these elevated concentrations (plus acrylonitrile, if appropriate). Dow also needs to identify the areal extent of the regulated unit in the amended plan.

- b. Dow shall include the equations and a detailed sample calculation for the shower model (appendix C of the risk assessment).
- c. Dow shall provide the equation for calculating the ambient air concentration going from g/s-m<sup>2</sup> ( $3.73\text{E-}08$  and  $3.56\text{E-}11$  for ethylbenzene and styrene, respectively) to ug/m<sup>3</sup> ( $7.98\text{E-}04$  and  $7.62\text{E-}07$  for ethylbenzene and styrene, respectively).
- d. Dow shall demonstrate how the information from SCREEN2 (Appendix B of the risk assessment) was utilized. Dow shall also provide a detailed sample calculation displaying the utilization of the input included in Appendix B which generated the output included in Appendix B.





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JUN 18 1993

PTA

George V. Voinovich  
Governor

Donald R. Schregardus  
Director

May 21, 1993

Re: Dow Chemical - Hanging Rock  
US EPA ID No.: OHD039128913  
Ohio ID No.: 04-44-0022  
Completion of Partial Closure  
Hazardous Waste Storage Area

Dow Chemical Company  
Attn: Mr. Myron Martin  
Gilruth Lane  
Ironton, Ohio 45638

Dear Mr. Martin:

According to our records, on April 26, 1991, the Director of Ohio EPA approved a closure plan submitted by Dow Chemical Company - Hanging Rock for their hazardous waste storage area located on Old 52 Highway, Ironton, Ohio 45638. On October 29, 1991, Dow Chemical Company submitted to the Director certification documents stating that the hazardous waste storage area had been closed according to the specifications in the approved closure plan. Ohio EPA District Office personnel completed a certification of closure inspection and a review of documents pertaining to the hazardous waste storage area on November 5, 1991. Based on this inspection and review, the Ohio EPA has determined that the hazardous waste storage area has been closed in accordance with the approved closure plan and Rules 3745-66-12 through 3745-66-15 of the Ohio Administrative Code (OAC) and Dow Chemical Company - Hanging Rock will maintain the status of a treatment, storage, and disposal facility (TSDF) of hazardous waste pending final closure of their remaining RCRA units.

You should continue to use the identification number assigned to you for purposes of Ohio EPA manifest, recordkeeping, and reporting requirements as appropriate.

If you have any questions concerning your current status, please contact the Ohio EPA, Southeast District Office, Attn: Mike Moschell, 2195 Front Street, Logan, Ohio 43138, telephone number (614) 385-8501.

Please note that this letter does not relieve you of any corrective action responsibilities that may be required.



Dow Chemical Company - Hanging Rock  
Completion of Partial Closure  
Hazardous Waste Storage Area  
Pg. 2

Should you have any questions concerning this procedure, please contact Randy Sheldon, Division of Hazardous Waste Management, Data Management Section at the letterhead address or by telephone at (614) 644-2977.

Very truly yours,

*Thomas E. Crepeau*

Thomas E. Crepeau, Manager  
Data Management Section  
Division of Hazardous Waste Management

TEC/RS/ds

cc: Kevin Pierard, US EPA, Region V  
Harriet Croke, US EPA, Region V  
Hazardous Waste Facility Board  
Randy Meyer, RCRA TAS, DHWM  
Laurie Stevenson, HW ES, DHWM  
Mike Rath, DMS, DHWM  
Mike Moschell, SEDO, DHWM



State of Ohio Environmental Protection Agency

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*File in  
part A*

George V. Voinovich  
Governor

Donald R. Schregardus  
Director

## CLOSURE PLAN APPROVAL

### CERTIFIED MAIL

November 4, 1991

RE: CLOSURE PLAN  
Dow Chemical Company  
OHD 039 128 913

Mr. Myron Martin  
Dow Chemical Company  
Hanging Rock Plant  
Gilruth Lane  
Ironton, Ohio 45638

Dear Mr. Martin:

On June 5, 1991, Dow Chemical Company submitted to Ohio EPA a closure plan for a hazardous waste storage area located on U.S. Route 52, Ironton, Ohio. The closure plan was submitted pursuant to Rule 3745-66-12 of the Ohio Administrative Code (OAC) in order to demonstrate that Dow Chemical Company's proposal for closure complies with the requirements of OAC Rules 3745-66-11 and 3745-66-12.

The public was given the opportunity to submit written comments regarding the closure plan of Dow Chemical Company in accordance with OAC Rule 3745-66-12. The public comment period extended from September 16, 1991 to October 23, 1991. No comments were received by Ohio EPA in this matter.

Based upon review of Dow Chemical Company's submittal and subsequent revisions, I conclude that the closure plan for the hazardous waste facility at Dow Chemical Company as modified herein meets the performance standard contained in OAC Rule 3745-66-11 and complies with the pertinent parts of OAC Rule 3745-66-12.

The closure plan submitted to Ohio EPA by Dow Chemical Company is hereby approved with the following modifications:

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Gavin Date 11-4-91

OHIO E.P.A.

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Mr. Martin  
Page Two

1. Dow will submit to Ohio EPA a permit withdrawal request for its Part A permit at the time the closure certification for this unit is submitted to the Director. It is our understanding that the present container storage area will also be closed by that time, leaving no permittable units at the facility.
2. Section 3.4 of the closure plan will be modified to include the requirements of OAC 3745-66-12, in that any amendments to the closure plan to address contaminated soil removal will be submitted to Ohio EPA within thirty days, as required by this rule.
3. Dow should comply with the proposed Health and Safety plan and follow the OSHA 29 CFR 1910.120 standards.
4. All wastes will be treated, handled, and disposed as hazardous waste unless proven otherwise using the appropriate waste characterization procedures.

Also, all hazardous wastes generated during closure operations will be treated and disposed at a permitted RCRA facility.

Nothing here shall waive the right of the Director to take action beyond the terms of the closure plan pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.A. §9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986, Pub. L. 99-499 ("CERCLA") or to take any other action pursuant to applicable Federal or State law, including but not limited to the right to issue a permit with terms and conditions requiring corrective action pursuant to Chapters 3734 or 6111 of the Revised Code; the right to seek injunctive relief, monetary penalties and punitive damages, to undertake any removal, remedial, and/or response action relating to the facility, and to seek recovery for any costs incurred by the Director in undertaking such actions.

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Gavin Date 11-4-91

OHIO E.P.A.

NOV -4 91

ENTERED DIRECTOR'S JOURNAL



Mr. Martin  
Page Three

You are notified that this action of the director is final and may be appealed to the Environmental Board of Review pursuant to Section 3745.014 of the Ohio Revised Code. The appeal must be in writing and set forth the action complained of and the grounds upon which the appeal is based. It must be filed with the Environmental Board of Review within thirty (30) days after notice of the Director's action. A copy of the appeal must be served on the Director of the Ohio Environmental Protection Agency and the Environmental Enforcement Section of the Office of the Attorney General within three (3) days of filing with the Board. An appeal may be filed with the Environmental Board of Review at the following address: Environmental Board of Review, 236 East Town Street, Room 300, Columbus, Ohio 43266-0557.

When closure is completed, the Ohio Administrative Code Rule 3745-66-15 requires the owner or operator of a facility to submit to the Director of the Ohio EPA certification by the owner or operator and an independent, registered professional engineer that the facility has been closed in accordance with the approved closure plan. The certification by the owner or operator shall include the statement found in OAC 3745-50-42(D). These certifications should be submitted to: Ohio Environmental Protection Agency, Division of Solid and Hazardous Waste Management, Attn: Thomas Crepeau, Data Management Section, P.O. Box 1049, Columbus, Ohio 43266-0149.

Sincerely,



Donald R. Schregardus  
Director

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Cannon Date 11-4-91

DRS/MS/pas

cc: Tom Crepeau, DSHWM Central File, Ohio EPA  
Lisa Pierard, USEPA - Region V  
Joel Morbito, USEPA - Region V  
David Chenault, SEDO, Ohio EPA  
Mike Moschell, SEDO, Ohio EPA  
Montee Suleiman, Ohio EPA, DSHWM

OHIO E.P.A.

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State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149  
(614) 644-3020  
FAX (614) 644-2329

George V. Voinovich  
Governor

Donald R. Schregardus  
Director

*File in Part A / File*

September 13, 1991

Re: Dow Chemical USA - Hanging Rock Plant  
US EPA ID No.: OHD039128913  
Ohio ID No.: 04-44-0022  
Closure Plan

Dow Chemical USA  
Attn: Mr. Myron E. Martin  
Gilruth Lane  
Ironton, Ohio 45638

Dear Mr. Martin:

A public notice acknowledging the Ohio EPA's receipt of a closure plan for Dow Chemical USA - Hanging Rock Plant located on Old 52 Highway, Ironton, Ohio 45638 will appear the week of September 16, 1991 in the The Ironton Tribune, Ironton, Ohio. The Director of the Ohio EPA will act upon the closure plan request following the close of the public comment period, October 23, 1991.

Copies of the plan will be available for public review at the Briggs-Lawrence County Public Library, 321 S. Fourth St., Ironton, Ohio 45638 and the Ohio EPA, Southeast District Office, 2195 Front St., Logan, Ohio 43138.

Please contact Randy Sheldon at (614) 644-2977, if you have any questions concerning this matter.

Very truly yours,

*Thomas E. Crepeau*

Thomas E. Crepeau, Manager  
Data Management Section  
Division of Solid and Hazardous Waste Management

TC/rs/closurereceipt

cc: Lisa Pierard, U.S. EPA, Region V  
Randy Meyer, Ohio EPA, DSHWM, RCRA TAS  
Mike Moschell, Ohio EPA, DSHWM, SEDO



PUBLIC NOTICE

Lawrence County

RECEIPT OF HAZARDOUS WASTE CLOSURE PLAN

For: Dow Chemical USA - Hanging Rock Plant, Old 52 Highway, Ironton, Ohio 45638, mailing address: Gilruth Lane, Ironton, Ohio 45638, EPA ID No.: OHD039128913, Ohio ID No.: 04-44-0022. Pursuant to OAC Rule 3745-66-10 thru 17 and 40 CFR, Subpart G, 265.110 thru 117, the Ohio Environmental Protection Agency (Ohio EPA) is hereby giving notice of the receipt of a Hazardous Waste Facility Closure Plan involving the Old Hazardous Waste Drum Storage Area for the above referenced facility. Ohio EPA is also giving notice that this facility is subject to a determination concerning corrective action, a requirement under the Hazardous and Solid Waste Amendments of 1984, which concerns any possible uncorrected releases of hazardous waste or hazardous constituents to the environment from any current or previous solid waste management units at the above facility. A corrective action determination is required from hazardous waste facilities intending to close.

Copies of the facility's Closure Plan will be available for public review at the Briggs-Lawrence County Public Library, 321 S. Fourth St., Ironton, Ohio 45638 and the Ohio EPA, Southeast District Office, 2195 Front St., Logan, Ohio 43138. Comments concerning this plan or factual information concerning any releases of hazardous waste or hazardous waste constituents by the above facility requiring corrective action should be submitted within 30 days of this notice to: Ohio Environmental Protection Agency, Div. of Solid & Hazardous Waste Mgmt., Data Management Section, Attn: Thomas E. Crepeau, Box 1049, Columbus, Ohio 43266-0149.







State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149  
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*File in  
Part A  
File*

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JAN 14 1992

George V. Voinovich  
Governor

Donald R. Schregardus  
Director

OFFICE OF RCRA  
Waste Management Division  
U.S. EPA, REGION V

CERTIFIED MAIL

January 9, 1992

RE: CLOSURE PLAN EXTENSION  
Dow Chemical Company  
OHD 039 128 913/04-44-022

Myron Martin  
Dow Chemical Company  
Hanging Rock Plant  
Ironton, Ohio 45638

Dear Mr. Martin:

On October 31, 1991, the Dow Chemical Company submitted a request for an extension to the closure period specified in the approved closure plan dated April 21, 1991, until November 4, 1991. The extension request was submitted pursuant to OAC Rule 3745-66-13(B) as closure will require longer than the 180 day period specified in OAC Rule 3745-66-13. Dow Chemical Company has requested this extension because of an asbestos removal project adjacent to the hazardous waste management unit being closed.

My staff reviewed your request and recommends that the extension be granted per rule 3745-66-13(B) of the Ohio Administrative Code. I concur with the staff recommendation and am therefore granting your extension request. This extension is being granted for the above referenced closure plan and expired on November 4, 1991.

Dow Chemical Company shall continue to take all steps to prevent a threat to human health and the environment from the unclosed but inactive waste management unit per OAC Rule 3745-66-13(B) (2).

Please be advised that approval of this closure extension request does not release Dow Chemical Company from any responsibilities as required under the Hazardous and Solid Waste Amendments of 1984 regarding corrective action for all releases of hazardous waste or constituents from any solid waste management unit, regardless of the time at which waste was placed in the unit.

I certify this to be a true and correct copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Cheri Mackey Date 1/9/92



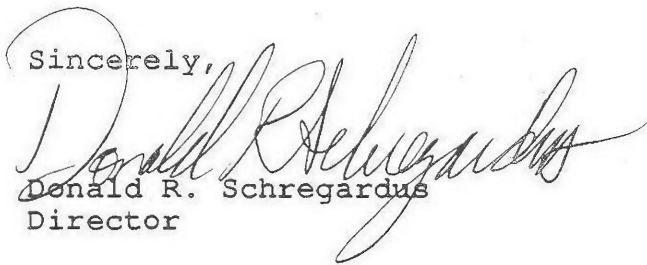
Mr. Martin  
Page Two

When closure is completed, the Ohio Administrative Code Rule 3745-66-15 requires the owner or operator of a facility to submit to the Director of the Ohio EPA certification by the owner or operator and an independent professional engineer that the facility has been closed in accordance with the specifications in the approved closure plan. The certification shall follow the format specified in OAC 3745-50-42(D). These certifications should be submitted to: Ohio Environmental Protection Agency, Division of Hazardous Waste Management, Attn: Tom Crepeau, Data Management Section, P.O. Box 1049, Columbus, Ohio 43226-1049.

You are hereby notified that this action of the Director is final and may be appealed to the Environmental Board of Review pursuant to section 3745.04 of the Ohio Revised Code. The appeal must be in writing and set forth the action complained of and the grounds upon which the appeal is based. It must be filed with the Environmental Board of Review within thirty (30) days from the receipt of this letter. A copy of the appeal must be served to the Director of the Ohio Environmental Protection Agency with three (3) days of filing with the Board. An appeal may be filed at the following address:

Environmental Board of Review  
236 East Town Street  
Room 300  
Columbus, Ohio 43215

Sincerely,

  
Donald R. Schregardus  
Director

DRS/MS/pas

cc: Tom Crepeau, DHWM Central File, Ohio EPA  
Lisa Pierard, USEPA - Region V  
Joel Morbito, USEPA - Region V  
Mike Moschell, SEDO, Ohio EPA  
Montee Suleiman, DHWM, Closure Unit  
Pam Allen, DHWM, Enforcement

I certify this to be a true and accurate copy of the  
document as filed in the records of the Ohio  
Environmental Protection Agency.

By: Arthur Mackey Date 1/9/92

OHIO EPA

JAN-3 92

RECEIVED OFFICE OF THE DIRECTOR







State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
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George V. Voinovich  
Governor

## CLOSURE PLAN APPROVAL

### CERTIFIED MAIL

April 26, 1991

RE: CLOSURE PLAN  
Dow Chemical USA  
OHD 039 128 913

Mr. Myron E. Martin  
Dow Chemical USA  
Gilruth Lane  
Ironton, Ohio 45638

*File in  
Part A  
File*

Dear Mr. Martin:

On May 17, 1990, Dow Chemical USA submitted to Ohio EPA a closure plan for a hazardous waste drum storage area located on Gilruth Lane, Ironton, Ohio. Revisions to the closure plan were received on January 29, 1991. The closure plan was submitted pursuant to Rule 3745-66-12 of the Ohio Administrative Code (OAC) in order to demonstrate that Dow Chemical USA's proposal for closure complies with the requirements of OAC Rules 3745-66-11 and 3745-66-12.

The public was given the opportunity to submit written comments regarding the closure plan of Dow Chemical USA in accordance with OAC Rule 3745-66-12. No comments were received by Ohio EPA in this matter.

Based upon review of Dow Chemical USA's submittal and subsequent revisions, I conclude that the closure plan for the hazardous waste facility at Dow Chemical USA as modified herein meets the performance standard contained in OAC Rule 3745-66-11 and complies with the pertinent parts of OAC Rule 3745-66-12.

The closure plan submitted to Ohio EPA by Dow Chemical USA is hereby approved with the following modifications:

I certify this to be a true and accurate copy of the  
official document as filed in the records of the Ohio  
Environmental Protection Agency.

By: Mary Gavin Date 4-26-91

OHIO E.P.A.

APR 25 90

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Mr. Myron E. Martin  
Page Two

1. Section 2.0, Waste Management Unit Description and Table 2.1, Typical Waste Inventory for Waste Management Unit.

Dow did not properly review their operating records, manifests or annual reports to arrive at the hazardous waste inventory for the drum storage area. Annual reports and the Part A permit indicate additional types of wastes managed or permitted to be managed at the unit. The closure plan is hereby amended to include the following waste codes for wastes managed or permitted to be managed at the unit:

Part A Permit- F002 (methylene chloride), U009 (acrylonitrile).

Facility Annual Reports- F002, U009, D005 (leachable Barium), U226 (methyl chloroform).

The closure plan is also amended to include the following hazardous wastes and constituents for sample analysis in addition to those listed in Table 2.1:

Barium	Methyl Chloroform
--------	-------------------

2. Section 3.1, Facility Preparation.

Dow has proposed use of a temporary area to store the existing hazardous waste inventory prior to shipment to an off-site hazardous waste management facility. The closure plan is hereby amended to state that the temporary storage area will be closed after use pursuant to OAC 3745-52-34.

3. Section 3.2, Facility Closure.

The closure plan is hereby amended to state that decontamination of the hazardous waste storage building's walls shall be verified by the sampling of a final rinse from the walls. Clean levels are defined in Comment No. 4 below.

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Carvin Date 4-26-91

OHIO E.P.A.

APR 26 91

ENVIRONMENTAL PROTECTION AGENCY

Mr. Myron E. Martin  
Page Three

4. Section 3.3, Verification Sampling.

The closure plan is hereby amended to delete the rinseate clean levels proposed in the plan and include the following rinseate clean levels:

<u>Compound</u>	<u>Clean Standard (mg/l)</u>
Acrylonitrile	1 mg/l
Barium	1 mg/l
Ethylbenzene	1 mg/l
Methyl chloroform	1 mg/l
Methylene chloride	0.075 mg/l
Styrene	0.075 mg/l

The pad and equipment shall be considered clean when the concentration of these constituents fall below the indicated standard. Rinseate exhibiting a hazardous characteristic or containing detectable quantities of hazardous constituents derived from listed hazardous waste shall be managed as hazardous waste.

5. Section 3.3, Verification Sampling.

According to Ohio EPA records, the storage area did not always have the 3 walls and a roof. Additional information also indicates that liquids were pumped from the storage area containment sump onto the ground surrounding the pad. Dow shall take 5 shallow soil samples (0-12") from three sides of the pad to confirm that soils have not been contaminated with hazardous waste constituents from the pad (see Attachment A for sample locations).

Soils shall be considered clean when concentrations of man-made organic hazardous waste constituents fall below the SW-846 analytical detection limit and concentrations of naturally occurring heavy metals (i.e. barium) fall below background concentrations. If contamination is detected, Dow shall define the full extent of vertical and horizontal contamination.

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Carvin Date 4-26-91

OHIO E.P.A.  
APR 26 91

ENTERED DIRECTOR'S JOURNAL

Mr. Myron E. Martin  
Page Four

In order to determine background concentrations of barium in soils, Dow shall take 12 background samples from soils similar to those around the storage area but which are unimpacted by waste management or other industrial activities. The background concentration is defined as the mean concentration of the samples plus two standard deviations. Dow shall consult with the Ohio EPA inspector to aid in selection of background sample locations. Ohio EPA reserves the right to reject sample results determined to be non-representative of true background conditions.

6. **Section 3.3, Verification Sampling.**

The closure plan is hereby modified to include sampling and analysis of soils at the juncture of the runoff drainage trench and the ditch. Dow shall take a core sample of the 0-12" interval of soil at the trench/ditch juncture to confirm that no contamination has migrated from the storage area.

7. **Section 3.3, Verification Sampling.**

The closure plan is hereby amended to state that the shallow soil samples will be taken using a core sampling device such as a Shelby tube to reduce the possibility of volatilization of organic constituents due to sampling efforts. Background samples for barium shall be taken from the same soil types (see comment 5 above) as those sampled around the pad using any type of hand operated auger or tube sampler (Shelby or split spoon).

8. **Section 3.4, Equipment Decontamination.**

Dow failed to describe the specific methods for cleaning contaminated equipment and failed to provide the design for the decontamination area as required in the Notice of Deficiency. Regular equipment (e.g., the wet/dry vacuum, small non-disposable tools, etc.) shall be washed with non-phosphate detergent and triple rinsed with tap water.

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Carin Date 4-26-91

OHIO E.P.A.

APR 26 91

ENTERED DIRECTOR'S JOURNAL



Mr. Myron E. Martin  
Page Five

Heavy equipment shall be scraped, high pressure washed with non-phosphate detergent and triple rinsed. The decontamination area shall be designed like that shown in Attachment B. It shall be large enough to contain the largest piece of equipment requiring decontamination and be able to contain all residues generated from decontamination procedures. It shall be located outside of the storage area building. All rinseate shall be analyzed and managed as described in comment 4 above.

9. **Section 5.0, Health and Safety.**

Dow failed to describe the capabilities of the air monitoring equipment as specified in the Notice of Deficiency. There is special concern regarding detection of acrylonitrile in the work area. The PEL for acrylonitrile is 2 ppm with a 10 ppm ceiling for a maximum of 15 minutes. The Drager tubes need to be able to detect a minimum of 2 ppm acrylonitrile. The detection capabilities for this equipment were not specified in the closure plan. Dow shall address this concern in the site specific health and safety plan to be submitted no later than 30 days after the receipt of this letter, or 7 days prior to the initiation of closure activities, whichever comes first.

10. **Section 7.0, Closure Cost Estimate.**

Dow shall revise the closure cost estimate to reflect closure by an outside contractor and disposal firm. The disposal of rinseate and other debris shall be included in the cost estimate. Dow shall also update their financial assurance records to conform to the new closure cost estimate.

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Carvin

Date 4-26-91

OHIO E.P.A.

APR 26 91

ENTERED DIRECTOR'S JOURNAL

Mr. Myron E. Martin  
Page Six

11. General Comment.

The closure plan is hereby amended to state that Dow shall provide for clean closure of the unit, including excavation and removal of any contaminated soils. If Dow is unable to achieve clean closure because the concrete pad cannot be decontaminated or because soils are extensively contaminated with hazardous waste constituents (e.g., full extent has not been discovered due to large area of contamination), then Dow may seek to amend the closure plan as per OAC 3745-66-12.

Notwithstanding compliance with the terms of the closure plan, the Director may, on the basis of any information that there is or has been a release of hazardous waste, hazardous constituents, or hazardous substances into the environment, issue an order pursuant to Section 3734.20 et seq of the Revised Code or Chapters 3734 or 6111 of the Revised Code requiring corrective action or such other response as deemed necessary; or initiate appropriate action; or seek any appropriate legal or equitable remedies to abate pollution or contamination or to protect public health or safety or the environment.

Nothing here shall waive the right of the Director to take action beyond the terms of the closure plan pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.A. §9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986, Pub. L. 99-499 ("CERCLA") or to take any other action pursuant to applicable Federal or State law, including but not limited to the right to issue a permit with terms and conditions requiring corrective action pursuant to Chapters 3734 or 6111 of the Revised Code; the right to seek injunctive relief, monetary penalties and punitive damages, to undertake any removal, remedial, and/or response action relating to the facility, and to seek recovery for any costs incurred by the Director in undertaking such actions.

You are notified that this action of the director is final and may be appealed to the Environmental Board of Review pursuant to Section 3745.014 of the Ohio Revised Code. The appeal must be in writing and set forth the action complained of and the grounds

I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Gavin Date 4-26-91

OHIO E.P.A.  
APR 26 91  
DIRECTOR'S JOURNAL

Mr. Myron E. Martin  
Page Seven

upon which the appeal is based. It must be filed with the Environmental Board of Review within thirty (30) days after notice of the Director's action. A copy of the appeal must be served on the Director of the Ohio Environmental Protection Agency and the Environmental Enforcement Section of the Office of the Attorney General within three (3) days of filing with the Board. An appeal may be filed with the Environmental Board of Review at the following address: Environmental Board of Review, 236 East Town Street, Room 300, Columbus, Ohio 43266-0557.

When closure is completed, the Ohio Administrative Code Rule 3745-66-15 requires the owner or operator of a facility to submit to the Director of the Ohio EPA certification by the owner or operator and an independent, registered professional engineer that the facility has been closed in accordance with the approved closure plan. The certification by the owner or operator shall include the statement found in OAC 3745-50-42(D). These certifications should be submitted to: Ohio Environmental Protection Agency, Division of Solid and Hazardous Waste Management, Attn: Thomas Crepeau, Data Management Section, P.O. Box 1049, Columbus, Ohio 43266-0149.

Sincerely,



Gerry Ioannides  
Director

GI/PV/pas

cc: Tom Crepeau, DSHWM Central File, Ohio EPA  
Paul Vandermeer, Ohio EPA, DSHWM  
Lisa Pierard, USEPA - Region V  
Joel Morbito, USEPA - Region V  
Mike Moschell, SEDO, Ohio EPA

I certify this to be a true and accurate copy of the  
official document as filed in the records of the Ohio  
Environmental Protection Agency.

By: Mary Cavin Date 4-26-91

OHIO E.P.A.

APR 26 91

ENTERED DIRECTOR'S JOURNAL

DRAWING NUMBER 8717-A3

APPROVED BY

CHECKED BY

DRAWN BY

OHM CORPORATION  
FINDLAY, OHIO

C.E. MERRIN 12-13-90

ROAD

FLOW TO SWALE

RUNOFF DRAINAGE TRENCH

OPEN SIDE

20'

SLOPED TO DRAIN

I certify this to be a true and accurate copy of the  
official document as filed in the records of the Ohio  
Environmental Protection Agency.

By: Mary Cavin Date 4-26-91

COLLECTION SUMP

30'

FIGURE 2.1

DRUM STORAGE AREA  
DOW CHEMICAL U.S.A.  
HANGING ROCK PLANT

PREPARED FOR

DOW CHEMICAL U.S.A.  
IRONTON, OHIO

OHIO E.P.A.

APR 26 90

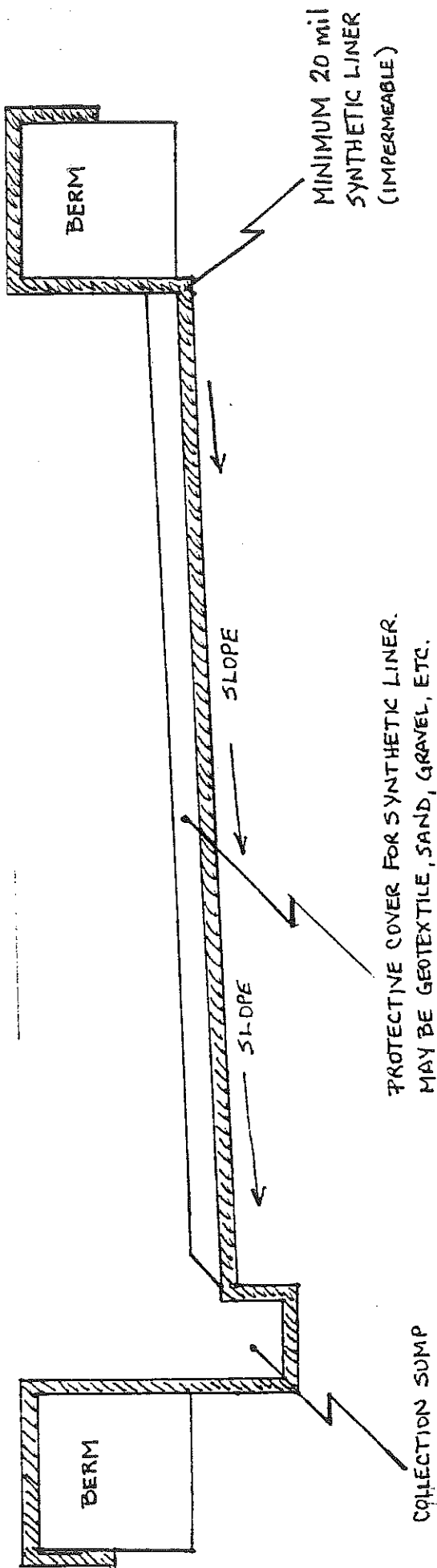
ENTERED DIRECTOR'S JOURNAL

⊗ - Soil sample locations



OHM Corporation

PLOT SCALE 1" = 1'



CROSS-SECTION, TYPICAL DECONTAMINATION PAD

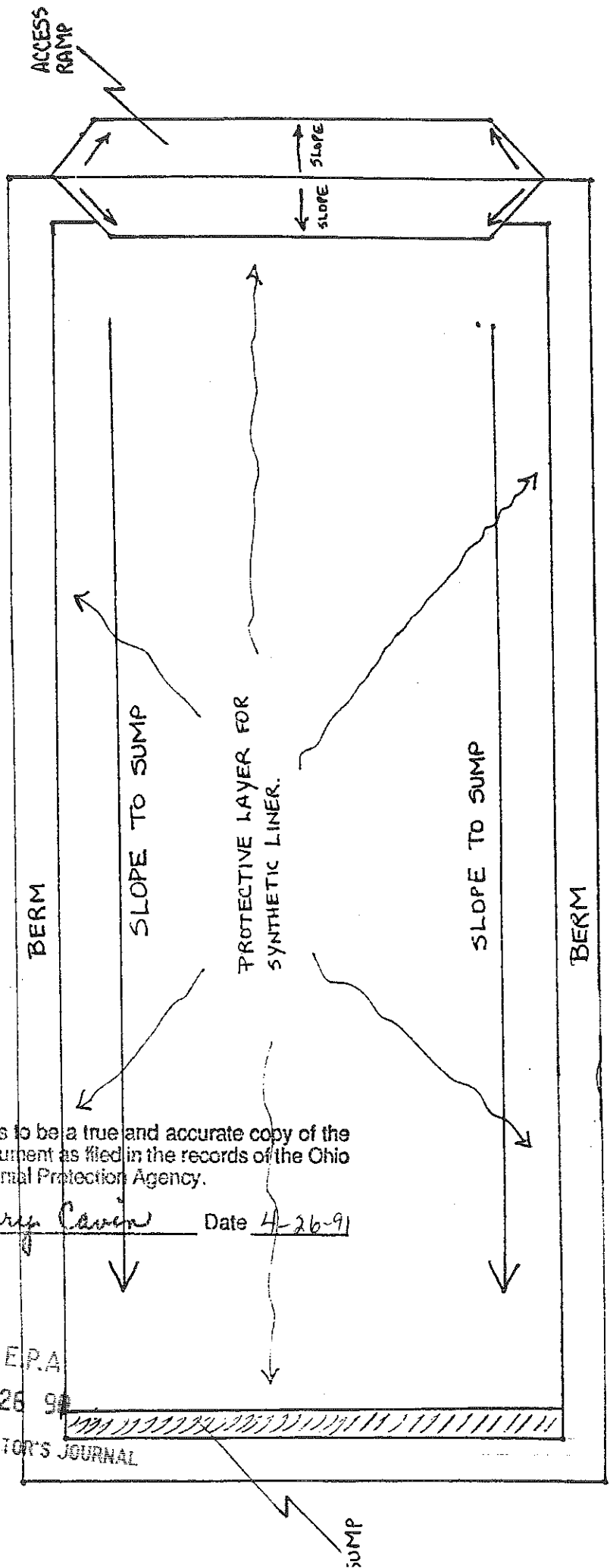
I certify this to be a true and accurate copy of the official document as filed in the records of the Ohio Environmental Protection Agency.

By: Mary Gavin Date 4-26-91

COLLECTION SUMP  
FOR RINSEATE

OHIO E.P.A.  
APR 26 91

REGISTERED DIRECTOR'S JOURNAL



TOP VIEW, TYPICAL DECONTAMINATION PAD





State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149  
(614) 644-3020 Fax (614) 644-2329

Richard F. Celeste  
Governor

CERTIFIED MAIL

NOTICE OF DEFICIENCY

AUG 06 1990

Re: DOW Chemical USA  
OHD039128913  
Closure Plan

Mr. Myron E. Martin  
Dow Chemical USA  
Gilruth Lane  
Ironton, Ohio 45638

Dear Mr. Martin:

On May 17, 1990, Ohio EPA received from Dow Chemical USA a closure plan for a drum storage area at your facility located at Gilruth Lane, Ironton, Ohio.

The closure plan was submitted pursuant to Rule 3745-66-12 of the Ohio Administrative Code (OAC) in order to demonstrate that the Dow Chemical USA proposal for closure complies with the requirements of OAC Rules 3745-66-11 and 3745-66-12.

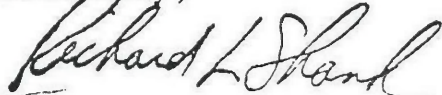
The public was given the opportunity to submit written comments regarding the closure plan in accordance with OAC Rule 3745-66-12 and 3745-66-18. The public comment period extended from June 11, 1990 to July 17, 1990. No comments were received in this matter.

Pursuant to OAC 3745-66-12(D)(4), I am providing you with a statement of deficiencies in the plan, outlined in Attachment A.

Please take notice that OAC Rule 3745-66-12 requires that a modified closure plan addressing the deficiencies enumerated in Attachment A be submitted to the Director of the Ohio EPA for approval within thirty (30) days of the receipt of this letter. The modified closure plan should be submitted to: Ohio Environmental Protection Agency, Division of Solid and Hazardous Waste Management, Attn: Thomas Crepeau, Manager, Data Management Section, P.O. Box 1049, Columbus, Ohio 43266-0149. A copy should also be sent to: Mike Moschell, Ohio EPA, Southeast District Office, 2195 Front Street, Logan, Ohio 43138-9031.

Upon review of the resubmitted plan, I will prepare and issue a draft or final action approving or modifying such plan. If you wish to arrange a meeting to discuss your responses to this Notice of Deficiency, please contact Mike Moschell, Ohio EPA, SEDO (614-385-8501) or Paul Vandermeer, Ohio EPA, DSHWM (614-644-2956).

Sincerely,



Richard L. Shank, Ph.D  
Director

RLS/plv

cc: Tom Crepeau, DSHWM, Central File, Ohio EPA  
Lisa Pierard, USEPA, Region V  
Joel Morbito, USEPA, Region V  
Mike Moschell, SEDO, Ohio EPA  
Paul Vandermeer, DSHWM, Ohio EPA



ATTACHMENT A  
DOW CHEMICAL USA  
DHD 039 128 913

1. Dow Chemical USA (DCUSA) shall revise the closure plan to include a topographic or county map showing the location of the facility in relation to the surrounding area.
2. DCUSA shall revise Figures 1.1 and 1.2 to include a scale for each of them.
3. DCUSA shall revise the entire closure plan to include closure of the "old" gravel storage area. Apparently, the "old" gravel storage area was removed from use in 1982 when the "new" concrete storage pad was built nearby, however closure was never initiated for the "old" gravel storage area. Closure shall be addressed for both units in the revised plan since both units were used to manage hazardous wastes.
4. DCUSA shall revise Figure 2.1 to show the drain located between the "open side" of the "new" drum storage area and the road. DCUSA shall provide details regarding this drain in addition to details regarding the collection sump and its purpose.
5. DCUSA shall revise Table 2.1 and the text of the closure plan to include a description of the types of waste managed at the two storage units. Facility operating records, waste manifests and annual reports shall be used to determine the types of waste and/or constituents stored in the areas (e.g. methylene chloride was stored in these areas and should be listed as a constituent of concern in Table 2.1).
6. DCUSA shall revise the closure plan to include provisions for managing wastes generated by the facility during the closure period. The wastes include those from normal facility operations and those from closure activities.
7. Closure of the "new" concrete storage area shall include decontamination of the walls surrounding the pad.
8. DCUSA shall identify the type of waste management facility to be used to manage hazardous waste inventory and wastes generated during closure activities. DCUSA may not "dispose" of rinseates (or other closure generated wastes) in their boiler unless these substances meet the restrictions for hazardous waste fuels (i.e. minimum fuel value of 5000 Btu/lb. See 52 FR 11157, March 16, 1983).
9. DCUSA shall revise the closure plan to include sampling and analysis of the various media impacted by closure. The revised closure plan shall include:

- Sample collection techniques used for collecting rinseate samples;
  - A plan for sampling soils from the "old" gravel storage area and surrounding the "new" concrete storage area including determination of where soils will be sampled, what depths, and types of sampling equipment to be used;
  - Field and laboratory quality assurance and quality control procedures and chain-of-custody provisions;
  - Methods for decontaminating sampling equipment to prevent cross-contamination of samples; and
  - A determination of the appropriate sampling parameters including all hazardous wastes or hazardous waste constituents managed at the units and the appropriate SW-846 analytical methodology for each constituent of concern.
10. DCUSA shall revise the closure plan to include specific procedures for decontamination of equipment (e.g. the vacuum) including proper management of residues generated from decontamination efforts.
11. DCUSA shall revise the health and safety section of the closure plan to include the following items:
- Design of the area used to decontaminate equipment and personnel performing closure activities including the methods used to collect residues and prevent the migration of hazardous constituents to "clean" areas of the facility (the design of the "decon area" must be large enough to incorporate the largest piece of equipment used during closure);
  - The names and telephone numbers of DCUSA individuals in charge of emergency operations should an emergency situation arise including the local fire, police, and medical facilities; and
  - Determination of the point at which personal protective equipment will be upgraded from level D to level C using the air monitoring results and describe the capabilities of the air monitoring units to be used during closure activities.
12. DCUSA shall revise the closure plan to include clean standards for soils. Soils shall be considered clean when concentrations of organic hazardous wastes or organic hazardous constituents fall below the SW-846 analytical detection limit. If organic hazardous constituents in the soils come from listed hazardous waste sources, then contaminated soils shall be managed as hazardous waste. If organic constituents come from characteristic hazardous waste sources, then contaminated soils may be disposed as solid waste if they contain no ignitable free liquids or do not meet the characteristic of TCLP.

13. If DCUSA is unable to adequately decontaminate the concrete storage area (i.e. the rinseate remains contaminated beyond clean levels), then they shall remove the concrete pad. DCUSA shall revise the closure plan to include provisions for removal of the concrete if decontamination efforts are unsuccessful.
14. DCUSA shall revise the closure cost estimates to include expenses generated from the comments in this attachment.
15. DCUSA shall revise the closure certification section. The closure shall be certified by a qualified, independent, registered, professional engineer and the owner/operator using the signature requirements found in DAC 3745-5D-42. DCUSA shall include the engineer's qualifications in the certification. Additionally, the owner/operator shall include the exact language in OAC 3745-5D-42(D) as his/her certification statement.
16. DCUSA shall revise the closure schedule to include items in this attachment. The company shall also specify the times when the independent engineer or his/her representative will be present to oversee closure activities.





State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149

RECEIVED  
JUN 12 1990

OFFICE OF RCRA  
WASTE MANAGEMENT DIVISION  
EPA, REGION V

*File in  
Part A*



Richard F. Celeste  
Governor

June 11, 1990

Re: Dow Chemical Company/Hanging Rock  
U.S. EPA ID No.: OHD039128913  
Ohio Permit No.: 04-44-0022  
Closure Plan

Dow Chemical Company/Hanging Rock  
Attn: Mr. Myron E. Martin  
Gilruth Lane  
Ironton, Ohio 45638

Dear Mr. Martin:

A public notice acknowledging the Ohio EPA's receipt of a closure plan for Dow Chemical Company/Hanging Rock located on Old 52 Highway, Ironton, Ohio will appear the week of June 11, 1990, in The Ironton Tribune, Ironton, Ohio. The Director of the Ohio EPA will act upon the closure plan request following the close of the public comment period, July 17, 1990.

Copies of the closure plan will be available for public review at the Briggs-Lawrence County Library, 321 S. Fourth Street, Ironton, Ohio 45638 and the Ohio EPA, Southeast District Office, 2195 Front Street, Logan, Ohio 43138.

I may be contacted at (614) 644-2977 if you have any questions concerning this matter.

Very truly yours,

*Thomas E. Crepeau*

Thomas E. Crepeau, Manager  
Data Management Section  
Division of Solid & Hazardous Waste Management

TEC/dhs

cc: Lisa Pierard, U.S. EPA, Region V  
Randy Meyer, Ohio EPA, DSHWM, RCRA TAS  
Mike Moschell, Ohio EPA, DSHWM, SEDO

2518R(50)

RECEIVED  
JUN 21 1990  
OFFICE OF RCRA  
Waste Management Division  
U.S. EPA, REGION V

PUBLIC NOTICE

Lawrence County

RECEIPT OF HAZARDOUS WASTE CLOSURE PLAN

For: Dow Chemical Company/Hanging Rock, Old 52 Highway, Ironton, Ohio 45638, U.S. EPA ID No.: OHDD39128913, Ohio Permit No.: D4-44-0022. Pursuant to OAC Rule 3745-66-10 thru 17 and 40 CFR, Subpart G, 265.110 thru 117, the Ohio Environmental Protection Agency (Ohio EPA) is hereby giving notice of the receipt of a Hazardous Waste Facility Closure Plan for a Hazardous Waste Storage Area for the above referenced facility. Ohio EPA is also giving notice that this facility is subject to a determination concerning corrective action, a requirement under the Hazardous and Solid Waste Amendments of 1984, which concerns any possible uncorrected releases of hazardous waste or hazardous constituents to the environment from any current or previous solid waste management units at the above facility. A corrective action determination is required from hazardous waste facilities intending to close.

Copies of the facility's Closure Plan will be available for public review at the Briggs-Lawrence County Library, 321 S. Fourth Street, Ironton, Ohio 45638 and the Ohio EPA, Southeast District Office, 2195 Front Street, Logan, Ohio 43138. Comments concerning the Closure Plan or factual information concerning any releases of hazardous waste or hazardous waste constituents by the above facility requiring corrective action should be submitted within 30 days of this notice to: Ohio Environmental Protection Agency, Div. of Solid & Hazardous Waste Mgmt., Data Management Section, Attn: Thomas E. Crepeau, Box 1049, Columbus, Ohio 43266-0149.

For additional info. regarding Dow's 1987  
Annual Report, see Art A File  
OHD-004-254-702

693869444

OHD-039-128-913



THE DOW CHEMICAL COMPANY

2030 Willard H. Dow Center  
April 28, 1988

2030 WILLARD H. DOW CENTER  
MIDLAND, MICHIGAN 48674

O: WMD ✓  
CC: RF  
WESTLAKE

Mr. Valdas Adamkus  
Regional Administrator, Region V  
U. S. Environmental Protection Agency  
230 South Dearborn Street  
Chicago, IL 60604

Dear Mr. Adamkus:

Attached is the documentation in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

These documents reflect several changes from our prior submission due to the following events:

1) Completed closure of:

Alaska Avenue Facility, CAT 080010093

- 2) Revisions of closure and post-closure cost estimates due to physical changes such as partial closures of facilities. Those cost estimates not based on solely adjusting the prior year's cost estimate are marked with an asterisk in Mr. Falla's letter.

Any questions concerning the attached documents should be directed to:

Paul Bork  
Legal Department  
The Dow Chemical Company  
2030 Willard H. Dow Center  
Midland, MI 48674  
(517) 636-8854

Sincerely,

Paul Bork  
Legal Department

Attachments

RECEIVED

APR 29 1988

U. S. EPA REGION 5  
OFFICE OF REGIONAL ADMINISTRATOR



# THE DOW CHEMICAL COMPANY

2030 WILLARD H. DOW CENTER  
MIDLAND, MICHIGAN 48674

2030 Willard H. Dow Center  
April 28, 1988

Mr. Valdas Adamkus  
Regional Administrator, Region V  
U. S. Environmental Protection Agency  
230 South Dearborn Street  
Chicago, IL 60604

Dear Mr. Adamkus:

I am the chief financial officer of The Dow Chemical Company. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

EPA I.D. #

NAME

ADDRESS

Region I

CTD001159730	The Dow Chemical Co. Allyn's Point Plant	Route 12 Gales Ferry, CT 06335
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CTD000635896	The Dow Chemical Co. North Haven Lab	410 Sackett Point Rd. North Haven, CT 06473
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Region IV

GAD045929643	The Dow Chemical Co. Dalton Plant	1468 Prosser Drive, S.E. Dalton, GA 30720
--------------	--------------------------------------	----------------------------------------------



PA I.D. #

NAME

ADDRESS

Region V

OHD005053624	The Dow Chemical Co. Findlay Plant	P. O. Box 708 Findlay, OH 45840
OHD039128913	The Dow Chemical Co. Hanging Rock Plant	Old 52 Highway Irononton, OH 45638
OHD081287294	The Dow Chemical Co. Granville R&D	P. O. Box 515 Granville, OH 43023
ILD093154599	The Dow Chemical Co. Joliet Plant	P. O. Box 368 Joliet, IL 60434
MID980617435	The Dow Chemical Co. Salzburg Landfill	Salzburg & Waldo Roads Midland, MI 48640
MID000724724	The Dow Chemical Co. Midland Plant	628 Bldg. Dow Chemical Co. Midland, MI 48640

Region VI

ARD051965416	The Dow Chemical Co. Russellville Plant	P. O. Box 1048 Russellville, AR 72801
LAD008187080	The Dow Chemical Co. Louisiana Division	P. O. Box 150 Plaquemine, LA 70764
TXD000017756	The Dow Chemical Co. LaPorte Facility	P. O. Box 687 LaPorte, TX 77571
TXD008092793	The Dow Chemical Co. Texas Operations	B-1226 Freeport, TX 77541

Region VII

MOD001829852	The Dow Chemical Co. Riverside Plant	P. O. Box 387 Pevely, MO 63070
--------------	-----------------------------------------	-----------------------------------

EPA I.D. #

NAME

ADDRESS

Region IX

CAD009547050	The Dow Chemical Co. Torrance Plant	305 Crenshaw Blvd. Torrance, CA 90503
CAD076528678	The Dow Chemical Co. Pittsburg Plant	P. O. Box 1398 Pittsburg, CA 94565

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

Region I

CTD001159730	The Dow Chemical Co. Allyn's Point Plant	Route 12 Gales Ferry, CT 06335
	Closure Cost = \$27,593	
CTD000635896	The Dow Chemical Co. North Haven Lab	410 Sackett Point Rd. North Haven, CT 06473
	Closure Cost = \$12,935	

2. The firm identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

OHD004254702	Merrell Dow Pharmaceu- ticals, Inc.	2110 E. Galbraith Rd. Cincinnati, OH 45215
	Closure Cost = \$76,700	

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H

of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Region IV

GAD045929643	The Dow Chemical Co. Dalton Plant	1468 Prosser Drive, S.E. Dalton, GA 30720
	Closure Cost = \$7,483	

Region V

OHD005053624	The Dow Chemical Co. Findlay Plant	P. O. Box 708 Findlay, OH 45840
	Closure Cost = \$42,074	

OHD039128913	The Dow Chemical Co. Hanging Rock Plant	Old 52 Highway Irononton, OH 45638
	Closure Cost = \$23,917	

OHD081287294	The Dow Chemical Co. Granville R&D	P. O. Box 515 Granville, OH 43023
	Closure Cost = \$16,137*	

ILD093154599	The Dow Chemical Co. Joliet Plant	P. O. Box 368 Joliet, IL 60434
	Closure Cost = \$69,685	

MID000724724	The Dow Chemical Co. Michigan Division Midland Plant	628 Bldg. Midland, MI 48640
	Closure Cost = \$63,347,784*	
	Post-Closure Cost = \$783,180	

EPA I.D. #NAMEADDRESS

MID980617435

The Dow Chemical Co.  
Michigan Division  
Salzburg LandfillSalzburg & Waldo Roads  
Midland, MI 48640Closure Cost = \$1,076,922  
Post-Closure Cost = \$984,079\*Region VI

ARD051965416

The Dow Chemical Co.  
Russellville PlantP. O. Box 1048  
Russellville, AR 72801

Closure Cost = \$51,477

LAD008187080

The Dow Chemical Co.  
Louisiana DivisionP. O. Box 150  
Plaquemine, LA 70764Closure Cost = \$2,766,489\*  
Post-Closure Cost = \$332,928

TXD000017756

The Dow Chemical Co.  
LaPorte FacilityP. O. Box 687  
LaPorte, TX 77571Closure Cost = \$1,471,300\*  
Post-Closure Cost = \$11,866,000

TXD008092793

The Dow Chemical Co.  
Texas OperationsB-1226  
Freeport, TX 77541Closure Cost = \$3,010,800\*  
Post-Closure Cost = \$3,449,000Region VII

MOD001829852

The Dow Chemical Co.  
Riverside PlantP. O. Box 387  
Pevely, MO 63070

Closure Cost = \$117,969

EPA I.D. #

NAME

ADDRESS

Region IX

CAD009547050

The Dow Chemical Co.  
Torrance Plant

305 Crenshaw Blvd.  
Torrance, CA 90503

Closure Cost = \$48,255

CAD076528678

The Dow Chemical Co.  
Pittsburg Plant

P. O. Box 1398  
Pittsburg, CA 94565

Closure Cost = \$25,000,000  
Post-Closure Cost = \$2,500,000

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurances are shown for each facility:

None.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

None.

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31st. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1987.

ALTERNATIVE I (Part B)

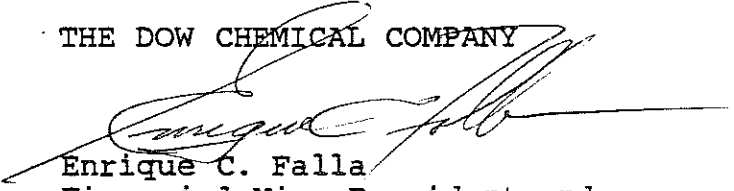
(In Millions of Dollars)

- |      |                                                                                                                                                                                                          |                 |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1.   | Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)                                                                                                        | \$ <u>117.1</u> |
| 2.   | Amount of annual aggregate liability coverage to be demonstrated<br>(Sudden: \$2M; Non-Sudden \$6M)                                                                                                      | \$ <u>8.0</u>   |
| 3.   | Sum of lines 1 and 2                                                                                                                                                                                     | \$ <u>125.1</u> |
| *4.  | Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ <u>8,587</u> |
| *5.  | Tangible net worth                                                                                                                                                                                       | \$ <u>4,863</u> |
| *6.  | Net worth                                                                                                                                                                                                | \$ <u>5,769</u> |
| *7.  | Current assets                                                                                                                                                                                           | \$ <u>5,752</u> |
| *8.  | Current liabilities                                                                                                                                                                                      | \$ <u>3,455</u> |
| 9.   | Net working capital (line 7 minus line 8)                                                                                                                                                                | \$ <u>2,297</u> |
| *10. | The sum of net income plus depreciation, depletion, and amortization                                                                                                                                     | \$ <u>2,054</u> |
| *11. | Total assets in U.S. (required only if less than 90% of assets are located in the U.S.)                                                                                                                  | \$ <u>6,728</u> |

	YES	NO
12. Is line 5 at least \$10 million?	<u>X</u>	___
13. Is line 5 at least 6 times line 3?	<u>X</u>	___
14. Is line 9 at least 6 times line 3?	<u>X</u>	___
*15. Are at least 90% of assets located in the U.S.? If not, complete line 16	___	<u>X</u>
16. Is line 11 at least 6 times line 3?	<u>X</u>	___
17. Is line 4 divided by line 6 less than 2.0?	<u>X</u>	___
18. Is line 10 divided by line 4 greater than 0.1?	<u>X</u>	___
19. Is line 7 divided by line 8 greater than 1.5?	<u>X</u>	___

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.15(g) as such regulations were constituted on the date shown immediately below.

THE DOW CHEMICAL COMPANY

  
 Enrique C. Falla  
 Financial Vice President and  
 Chief Financial Officer

28 April 1988

PMB/dg 

325 East Main Street  
Post Office Box 648  
Midland, Michigan 48640-0648  
(517) 832-9536, 631-2370  
ITT Telex: 4995272

The Dow Chemical Company  
Midland, Michigan

April 28, 1988

We have examined the consolidated financial statements of The Dow Chemical Company and its consolidated subsidiaries for the year ended December 31, 1987 and have issued our report thereon dated February 10, 1988. This letter is based on our knowledge as of that date, obtained in performing our examination of such financial statements, and should be read with that understanding. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we have performed the procedures enumerated below with respect to the accompanying letter from Mr. Enrique C. Falla to the Regional Administrator, Region V - Environmental Protection Agency April 28, 1988. It is understood that this report is solely for filing with the Environmental Protection Agency in accordance with requirements of the Resource Conservation and Recovery Act and is not to be used for any other purpose. The procedures that we performed are summarized as follows:

1. We compared the amounts included in items 6, 7, 8 and 11 under the caption Alternative I (Part B) in the letter referred to above with the corresponding amounts in the financial statements referred to in the first paragraph.
2. We recomputed from, or reconciled to, the financial statements referred to in the first paragraph the information included in items 4, 5 and 10 under the caption Alternative I (Part B) in the letter referred to above.

Because the procedures referred to in the preceding paragraph were not sufficient to constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on any of the information or amounts listed under the caption Alternative I (Part B) in the aforementioned letter. In performing the procedures referred to above, however, no matters came to our attention that caused us to believe that the information or amounts included in items 4, 5, 6, 7, 8, 10 and 11 should be adjusted.

*Deloitte Haskins & Sells*





State of Ohio Environmental Protection Agency

P.O. Box 1049, 1800 WaterMark Dr.  
Columbus, Ohio 43266-0149  
(614) 644-3020  
FAX (614) 644-2329

TRACKING - UHMM, CMSES  
TO GO ON: ☒ RCRIS ☐ FO LOG ☐ USEPA LOG ☐ CJ LOG ☐ FILE  
ENTERED: ☒ RCRIS ☐ FO LOG ☐ USEPA LOG ☐ CJ LOG ☐ ONLY  
RCRIS ENTRY CODES: (EVALUATION) 012 (ENFORCEMENT) 013  
CEI ☐ CI ☐ OTHER van INITIAL NOV ☐ FOLLOW-UP NOV ☐  
FULL RTC ☐ PARTIAL RTC ☐ LDR ☐ SENT TO USEPA: YES ☐ NO ☐

Donald R. Schregardus  
Director

June 18, 1993

Re: The Dow Chemical Company 012/013  
OHD039128913/04-44-0022  
OHD081287294/01-45-0444 010/002

Stephen I. Houseal  
Legal Department  
The Dow Chemical Company  
2030 Dow Center  
Midland, Michigan 48674

RECEIVED SEP 03 1993  
WMD RCRA  
RECORD CENTER *Compliance*

Dear Mr. Houseal:

On June 15, 1993 Ohio EPA conducted a review of the financial assurance and liability coverage documentation on file for The Dow Chemical Company's Hanging Rock and Granville facilities referenced above. The facilities were evaluated for compliance with the closure cost estimate, financial assurance for closure, and liability coverage for sudden accidental occurrences as set forth in Ohio Administrative Code (OAC) rules 3745-66-42, 3745-66-43, and 3745-66-47 and/or 3745-55-42, 3745-55-43, and 3745-55-47. In addition, Dow Chemical Hanging Rock was evaluated for compliance with conditions B.30 and B.32 of their September 26, 1990 Hazardous Waste Part B permit.

To demonstrate compliance with the financial assurance and liability coverage requirements, The Dow Chemical Company uses the financial test mechanism as specified in OAC rules 3745-66-43(F) and 3745-66-47(F) and/or 3745-55-43(F) and 3745-55-47(F). Financial Test documentation for the company's fiscal year ending December 31, 1992 was received on April 1, 1993 via letter dated March 31, 1993 from Stephen I. Houseal of The Dow Chemical Company. Ohio EPA received an amended Financial Test document for The Dow Chemical Company which included the closure cost amount for the Granville facility on May 17, 1993 via letter dated May 12, 1993 from Mr. Houseal.

As a result of this review, Ohio EPA finds the following violation:

Review of the March 31, 1993 Chief Financial Officer's letter reveals that it does not meet the wording requirements of OAC rule 3745-55-51(G). This is a violation of OAC rules 3745-66-43 and 3745-66-47 and/or 3745-55-43 and 3745-55-47, as well as a violation of conditions B.31 and B.32 of Hanging Rock's Hazardous Waste Part B Permit. A copy of OAC rule 3745-55-51(G) is enclosed for your reference. Please resubmit the Chief Financial Officer's letter using the correct wording to this office within thirty (30) days of the date of this letter, demonstrating that the violation has been abated.



Printed on recycled paper

Stephen I. Houseal  
Legal Department  
The Dow Chemical Company  
June 18, 1993  
Page Two

General Comments

In review of the closure cost estimate for the Hanging Rock facility, Ohio EPA records indicate that the estimate increased from \$20,720 in 1992 to \$99,273 in 1993. Further explanation for the substantial increase in the Hanging Rock closure cost estimate is requested. Please submit a detailed closure cost estimate for the Hanging Rock facility and the Granville facility to this office within thirty (30) days of the date of this letter.

If you have any questions, please feel free to call me at (614) 644-2948.

Sincerely,



Kurt Kohler  
Compliance Monitoring and Enforcement Section  
Division of Hazardous Waste Management

wp.KK.lcn

cc: ~~Laurie Stevenson, CM&ES, DHWM~~  
Mike Moschell, DHWM, SEDO  
Brad Campbell, DHWM, CDO







The Dow Chemical Company  
Midland, Michigan 48674

2030 DOW CENTER  
March 24, 2008

Regional Administrator  
U.S. Environmental Protection Agency  
Region 5  
77 West Jackson Boulevard  
Chicago, IL 60604-3507



LETTER FROM CHIEF FINANCIAL OFFICER

Dear Sir or Madam:

I am the chief financial officer of The Dow Chemical Company, 2030 Dow Center, Midland, Michigan 48674. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified as specified in subpart H of 40 CFR parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265:

<u>EPA ID#</u>	<u>NAME/ADDRESS</u>	
<u>REGION 5</u>		
OHD039128913	The Dow Chemical Company Hanging Rock Plant Old 52 Highway Ironton, OH 45638	Sudden Insurance = \$2,000,000 Nonsudden Insurance = \$6,000,000

The firm identified above guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

None.

The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimate covered by the test are shown for each facility:

<u>REGION 5</u>		
OHD039128913	The Dow Chemical Company Hanging Rock Plant Old 52 Highway Ironton, OH 45638	Closure = \$173,248

2. The firm identified above guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

None.

3. In States where EPA is not administering the financial requirements of subpart H of 40 CFR parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

**REGION 1**

CT001159730	The Dow Chemical Company Aliyn's Point Route 12 Gales Ferry, CT 06335	<b>Closure = \$178,605</b>
NHD048724173	Hampshire Chemical Corporation 2 East Spit Brook Road Nashua, NH 03060-5633	<b>Corrective Action = \$1,300,000</b>

**REGION 4**

GAD045929643	The Dow Chemical Company Dalton Plant 1468 Prosser Drive, SE Dalton, GA 30720	<b>Corrective Action = \$4,153,675</b>
--------------	----------------------------------------------------------------------------------------	----------------------------------------

**REGION 5**

MID000724724	The Dow Chemical Company MI Division/MI Plant 1261 Building Midland, MI 48674	<b>Closure = \$101,285,084</b> <b>Post-Closure = \$2,423,320</b>
MID980617435	The Dow Chemical Company MI Division/Salzburg Plant Salzburg & Waldo Roads Midland, MI 48640	<b>Closure = \$7,213,807</b> <b>Post-Closure = \$1,558,084</b>

**REGION 6**

LAD008187080	The Dow Chemical Company Louisiana Division PO Box 150 Plaquemine, LA 70764	<b>Closure = \$2,359,031</b> <b>Post-Closure = \$514,441</b> <b>Corrective Action = \$1,269,000</b>
LAD020597597	Angus Chemical Company Sterlington Facility PO Box 1325 Sterlington, LA 71280	<b>Closure = \$121,632</b>

TXD008092793	The Dow Chemical Company Texas Operations B-1226 Freeport, TX 77541	<b>Closure = \$66,827,825</b> <b>Post-Closure = \$6,954,688</b> <b>Corrective Action = \$169,672,446</b>
TXD096037932 Used Oil #A85819	Johann Haltermann Ltd. Dow Haltermann Houston Jacintoport Plant 16717 Jacintoport Boulevard Houston, TX 77015	<b>Closure = \$300,387</b>
TXD00017756	The Dow Chemical Company La Porte Facility PO Box 687 La Porte, TX 77571	<b>Corrective Action = \$4,250,000</b>
TXR000057414	The Dow Chemical Company Clear Lake Operations 9502B Bayport Boulevard Pasadena, TX 77507	<b>Closure = \$964,775</b>

**REGION 9**

CAD076528678	The Dow Chemical Company Pittsburg Plant PO Box 1398 Pittsburg, CA 94565	<b>Closure = \$2,839,236</b> <b>Postclosure = \$1,883,745</b> <b>Corrective Action = \$60,866,498</b> <b>Groundwater Treatment Plant</b> <b>Closure = \$156,225</b>
CAD009547050	The Dow Chemical Company Torrance Plant 305 Crenshaw Torrance, CA 90503	<b>Closure = \$484,823</b>

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in subpart H of 40 CFR parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

None.

5. This firm is the owner or operator or guarantor of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144 and is assured through a financial test. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

**REGION 6**

ARD982286874	The Dow Chemical Company Highway 371 Magnolia, AR 71753	<b>Plugging &amp; Abandonment</b> <b>= \$528,391</b>
--------------	---------------------------------------------------------------	---------------------------------------------------------

LAD020597597

Angus Chemical Company  
Sterlington Facility  
PO Box 1325  
Sterlington, LA 71280

**Plugging & Abandonment**  
**= \$241,197**

This firm is required to file a Form 10K with the securities and exchange commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 2007.




Part B. Closure or Post-Closure Care and Liability Coverage

ALTERNATIVE II

- |      |                                                                                                                                                                                              |                   |           |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------|
| 1.   | Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)                                                                                            | \$438,520,163     |           |
| 2.   | Amount of annual aggregate liability coverage to be demonstrated                                                                                                                             | \$8,000,000       |           |
| 3.   | Sum of lines 1 and 2                                                                                                                                                                         | \$446,520,163     |           |
| 4.   | Current bond rating of most recent issuance and name of rating Service                                                                                                                       | A- (S&P)          |           |
| 5.   | Date of issuance of bond                                                                                                                                                                     | December 13, 2001 |           |
| 6.   | Date of maturity of bond                                                                                                                                                                     | December 15, 2008 |           |
| *7.  | Tangible net worth (if any portion of the closure or post-closure cost estimates is included in the "total liabilities" on your financial statements, you may add that portion to this line) | \$15,036,000,000  |           |
| *8.  | Total assets in U.S.(required only if less than 90% of assets are located in the U.S.)                                                                                                       | \$23,958,000,000  |           |
|      |                                                                                                                                                                                              | <u>YES</u>        | <u>NO</u> |
| 9.   | Is line 7 at least \$10 million?                                                                                                                                                             | X                 |           |
| 10.  | Is line 7 at least 6 times line 3?                                                                                                                                                           | X                 |           |
| *11. | Are at least 90% of assets located in the U.S.? If not, complete line 12.                                                                                                                    |                   | X         |
| 12.  | Is line 8 at least 6 times line 3?                                                                                                                                                           | X                 |           |

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

*RWC*  
*med*  
  
Geoffery E. Merszei  
Executive Vice President  
and Chief Financial Officer  
The Dow Chemical Company

March 24, 2008

cc: Gale Bradley, The Dow Chemical Company, Hanging Rock Plant, Ironton, OH  
Michele Osmun, The Dow Chemical Company, 2030 Dow Center, Midland, MI 48674

NOTE: Please direct all correspondence related to this letter to Michele Osmun, 2030 Dow Center, Midland, MI 48674. Phone (989) 636-5581 or Fax (989) 638-9636.



Deloitte & Touche LLP  
Suite 400  
3320 Ridgcrest Drive  
Midland, MI 48642-5859  
USA

Tel: +1 989 631 2370  
Fax: +1 989 631 4485  
www.deloitte.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors  
The Dow Chemical Company  
Midland, Michigan

We have performed the procedures included in the Code of Federal Regulations ("CFR"), Title 40, Part 264, Section 143 (40 CFR 264.143), which were agreed to by the U.S. Environmental Protection Agency, Region 5 – Regional Administrator and The Dow Chemical Company ("Dow"), solely to assist the specified parties in evaluating Dow's compliance with the financial test option as of December 31, 2007, included in the accompanying letter dated March 24, 2008 from Mr. Geoffery E. Merszei of Dow (the "Letter"). Management is responsible for Dow's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

We recomputed from, or reconciled to, the audited consolidated financial statements of Dow as of and for the year ended December 31, 2007, on which we have issued our report dated February 14, 2008 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for defined benefit pension and other postretirement plans to conform to Statement of Financial Accounting Standards No. 158) the information included in Items 7, 8 and 11 under the caption Alternative II in the Letter referred to above and noted no differences.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the accompanying letter dated March 24, 2008. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of Dow and the specified parties listed in the first paragraph, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 24, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **DECEMBER 31, 2007**

Commission file number: **1-3433**

**THE DOW CHEMICAL COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**38-1285128**  
(I.R.S. Employer Identification No.)

**2030 DOW CENTER, MIDLAND, MICHIGAN 48674**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **989-636-1000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$2.50 per share	Common Stock registered on the New York and Chicago Stock Exchanges
Debentures, 6.85%, final maturity 2013	Debentures registered on the New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

☐ Yes ☒ No

The aggregate market value of voting stock held by non-affiliates as of June 30, 2007 (based upon the closing price of \$44.22 per common share as quoted on the New York Stock Exchange), was approximately \$42.0 billion. For purposes of this computation, it is assumed that the shares of voting stock held by Directors, Officers and the Dow Employees' Pension Plan Trust would be deemed to be stock held by affiliates. Non-affiliated common stock outstanding at June 30, 2007 was 949,152,650 shares.

Total common stock outstanding at January 31, 2008 was 939,605,806 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III: Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2008.

**The Dow Chemical Company**  
**ANNUAL REPORT ON FORM 10-K**  
**For the fiscal year ended December 31, 2007**

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**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

---

## **THE COMPANY**

The Dow Chemical Company was incorporated in 1947 under Delaware law and is the successor to a Michigan corporation, of the same name, organized in 1897. Except as otherwise indicated by the context, the terms “Company” or “Dow” as used herein mean The Dow Chemical Company and its consolidated subsidiaries. On February 6, 2001, the merger of Union Carbide Corporation (“Union Carbide”) with a subsidiary of The Dow Chemical Company was completed, and Union Carbide became a wholly owned subsidiary of Dow.

The Company is engaged in the manufacture and sale of chemicals, plastic materials, agricultural and other specialized products and services.

The Company’s principal executive offices are located at 2030 Dow Center, Midland, Michigan 48674, telephone 989-636-1000. Its Internet website address is [www.dow.com](http://www.dow.com). All of the Company’s filings with the U.S. Securities and Exchange Commission are available free of charge through the Investor Relations page on this website, immediately upon filing.

## **BUSINESS AND PRODUCTS**

### **Corporate Profile**

Dow is a diversified chemical company that combines the power of science and technology with the “Human Element” to constantly improve what is essential to human progress. The Company delivers a broad range of products and services to customers in approximately 160 countries, connecting chemistry and innovation with the principles of sustainability to help provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. In 2007, Dow had annual sales of \$53.5 billion and employed approximately 45,900 people worldwide. The Company has 150 manufacturing sites in 35 countries and produces approximately 3,100 products. The following descriptions of the Company’s operating segments include a representative listing of products for each business.

### **PERFORMANCE PLASTICS**

**Applications:** automotive interiors, exteriors, under-the-hood and body engineered systems • building and construction, thermal and acoustic insulation, roofing • communications technology, telecommunication cables, electrical and electronic connectors • footwear • home and office furnishings: kitchen appliances, power tools, floor care products, mattresses, carpeting, flooring, furniture padding, office furniture • information technology equipment and consumer electronics • packaging, food and beverage containers, protective packaging • sports and recreation equipment • wire and cable insulation and jacketing materials for power utility and telecommunications

**Dow Automotive** serves the global automotive market and is a leading supplier of plastics, adhesives, sealants and other plastics-enhanced products for interior, exterior, under-the-hood, vehicle body structure and acoustical management technology solutions. With offices and application development centers around the world, Dow Automotive provides materials science expertise and comprehensive technical capabilities to its customers worldwide.

- **Products:** AFFINITY™ polyolefin plastomers; AMPLIFY™ functional polymers; BETABRACE™ reinforcing composites; BETADAMP™ acoustical damping systems; BETAFOAM™ NVH and structural foams; BETAGUARD™ sealants; BETAMATE™ structural adhesives; BETASEAL™ glass bonding systems; CALIBRE™ polycarbonate resins; DOW™ polyethylene resins; DOW™ polypropylene resins and automotive components made with DOW™ polypropylene; IMPAXX™ energy management foam; INSPIRE™ performance polymers; INTEGRAL™ adhesive film; ISONATE™ pure and modified methylene diphenyl diisocyanate (MDI) products; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PAPI™ polymeric MDI; PELLETHANE™ thermoplastic polyurethane elastomers; Premium brake fluids and lubricants; PULSE™ engineering resins; SPECFLEX™ semi-flexible polyurethane foam systems; SPECTRIM™ reaction moldable polymers; STRANDFOAM™ polypropylene foam; VERSIFY™ plastomers and elastomers; VORANATE™ specialty isocyanates; VORANOL™ polyether polyols

**Dow Building Solutions** manufactures and markets an extensive line of insulation, weather barrier, and oriented composite building solutions, as well as a line of cushion packaging foam solutions. The business is the recognized leader in extruded polystyrene (XPS) insulation, known industry-wide by its distinctive Blue color and the Dow STYROFOAM™ brand for more than 50 years. The business also manufactures foam solutions for a wide range of applications including cushion packaging, electronics protection and material handling.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

---

**Business and Products – Continued**

- **Products:** EQUIFOAM™ comfort products; FROTH-PAK™ polyurethane spray foam; GREAT STUFF™ polyurethane foam sealant; IMOTUS™ acoustic panels; INSTA-STIK™ roof insulation adhesive; QUASH™ sound management foam; SARAN™ vapor retarder film and tape; STYROFOAM™ brand insulation products (including XPS and polyisocyanurate rigid foam sheathing products); SYMMATRIX™ oriented composites; SYNERGY™ soft touch foam; TILE BOND™ roof tile adhesive; TRYMER™ polyisocyanurate foam pipe insulation; WEATHERMATE™ weather barrier solutions (housewraps, sill pans, flashings and tapes)

**Dow Epoxy** is a leading global producer of epoxy resins, intermediates and specialty resins for a wide range of industries and applications such as coatings, electrical laminates, civil engineering, adhesives and composites. With plants strategically located across four continents, the business is focused on providing customers around the world with differentiated solution-based epoxy products and innovative technologies and services.

- **Products:** D.E.H.™ epoxy curing agents or hardeners; D.E.N.™ epoxy novolac resins; D.E.R.™ epoxy resins (liquids, solids and solutions); Epoxy intermediates (Acetone, Allyl chloride, Bisphenol-A, Epichlorohydrin, OPTIM™ synthetic glycerine and Phenol); Specialty acrylic monomers (Glycidyl methacrylate, Hydroxyethyl acrylate and Hydroxypropyl acrylate); UCAR™ solution vinyl resins

The **Polyurethanes and Polyurethane Systems** business is a leading global producer of polyurethane raw materials and polyurethane systems. Differentiated by its ability to globally supply a high-quality, consistent and complete product range, this business emphasizes both existing and new business developments while facilitating customer success with a global market and technology network.

- **Products:** ENFORCER™ Technology and ENHANCER™ Technology for polyurethane carpet and turf backing; ISONATE™ MDI; PAPI™ polymeric MDI; Propylene glycol; Propylene oxide; SPECFLEX™ copolymer polyols; SYNTegra™ waterborne polyurethane dispersions; VORACOR™, VORALAST™, VORALUX™ and VORASTAR™ polyurethane systems; VORANATE™ isocyanate; VORANOL™ and VORANOL™ VORACTIV™ polyether and copolymer polyols

**Specialty Plastics and Elastomers** is a business portfolio of specialty products including a broad range of engineering plastics and compounds, performance elastomers and plastomers, specialty copolymers, synthetic rubber, polyvinylidene chloride resins and films (PVDC), and specialty film substrates. The business serves such industries as automotive, civil construction, wire and cable, building and construction, consumer electronics and appliances, food and specialty packaging, and footwear.

- **Products:** AFFINITY™ polyolefin plastomers (POPs); AMPLIFY™ functional polymers; CALIBRE™ polycarbonate resins; DOW XLA™ elastic fiber; EMERGE™ advanced resins; ENGAGE™ polyolefin elastomers; FLEXOMER™ very low density polyethylene (VLDPE) resins; INTEGRAL™ adhesive films; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; NORDEL™ hydrocarbon rubber; PELLETHANE™ thermoplastic polyurethane elastomers; PRIMACOR™ copolymers; PROCITE™ window envelope films; PULSE™ engineering resins; REDI-LINK™ polyethylene-based wire & cable insulation compounds; SARAN™ PVDC resin and SARAN™ PVDC film; SARANEX™ barrier films; SI-LINK™ polyethylene-based low voltage insulation compounds; TRENCHCOAT™ protective films; TYRIL™ SAN resins; TYRIN™ chlorinated polyethylene; UNIGARD™ HP high-performance flame-retardant compounds; UNIGARD™ RE reduced emissions flame-retardant compounds; UNIPURGE™ purging compound; VERSIFY™ plastomers and elastomers

The **Technology Licensing and Catalyst** business includes licensing and supply of related catalysts, process control software and services for the UNIPOL™ polypropylene process, the METEOR™ process for ethylene oxide (EO) and ethylene glycol (EG), the LP OXO™ process for oxo alcohols, the QBIS™ bisphenol A process, and Dow's proprietary technology for production of purified terephthalic acid (PTA). Licensing of the UNIPOL™ polyethylene process and sale of related catalysts, including metallocene catalysts, are handled through Univation Technologies, LLC, a 50:50 joint venture of Union Carbide.

- **Products:** LP OXO™ process technology and NORMAX™ catalysts; METEOR™ EO/EG process technology and catalysts; PTA process technology; QBIS™ bisphenol A process technology and DOWEX™ QCAT™ catalyst; UNIPOL™ PP process technology and SHACT™ catalyst systems

The Performance Plastics segment also includes a portion of the results of the SCG-Dow Group, a group of Thailand-based joint ventures.



**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

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**PERFORMANCE CHEMICALS**

**Applications:** agricultural and pharmaceutical products and processing • building materials • chemical processing and intermediates • electronics • food processing and ingredients • gas treating solvents • household products • metal degreasing and dry cleaning • oil and gas treatment • paints, coatings, inks, adhesives, lubricants • personal care products • pulp and paper manufacturing, coated paper and paperboard • textiles and carpet • water purification

**Designed Polymers** is a business portfolio of products and systems characterized by unique chemistry, specialty functionalities, and people with deep expertise in regulated industries. Within Designed Polymers, Dow Water Solutions offers world-class brands and enabling component technologies designed to advance the science of desalination, water purification, trace contaminant removal and water recycling. Also in Designed Polymers, businesses such as Dow Wolff Cellulosics, Dow Biocides and ANGUS Chemical Company (a wholly owned subsidiary of Dow), develop and market a range of products that enhance or enable key physical and sensory properties of end-use products in applications such as food, pharmaceuticals, oil and gas, paints and coatings, personal care, and building and construction.

- **Products and Services:** Acrolein derivatives; Basic nitroparaffins and nitroparaffin-based specialty chemicals; CANGUARD™ BIT preservatives; CELLOSIZETM hydroxyethyl cellulose; Chiral compounds and biocatalysts; CYCLOTENETM advanced electronics resins; DOW™ latex powders; DOWEX™ ion exchange resins; DOWICIDETM antimicrobial bactericides and fungicides; ETHOCEL™ ethylcellulose resins; FILMTECTM membranes; FORTEFIBERTM soluble dietary fiber; Hydrocarbon resins; Industrial biocides; METHOCEL™ cellulose ethers; OMEXELL™ ultrafiltration; OMEXELL™ electrodeionization; Pfēnex Expression Technology™; POLYOXTM water-soluble resins; Quaternaries; SILK™ semiconductor dielectric resins; WALOCEL™ cellulose polymers

The **Dow Latex** business is a major global supplier of latexes, for a wide range of industries and applications. It provides the broadest line of styrene/butadiene (S/B) products supporting customers in paper and paperboard (for magazines, catalogues and food packaging) applications, and the carpet and floor covering industry. UCAR Emulsion Systems (UES) manufactures and sells acrylic, vinyl acrylic, vinyl acetate ethylene (VAE), and S/B and styrene acrylic latexes and NEOCAR™ branched vinyl ester latexes for use in the architectural and industrial coatings, adhesives, construction products such as caulks and sealants, textile, and traffic paint. It also offers the broadest product range in the dispersion area and produces and markets UCAR™ POLYPHOBE™ rheology modifiers.

- **Products:** Acrylic latex; EVOCAR™ specialty latex; FOUNDATIONSTM latex; NEOCAR™ branched vinyl ester latexes; Styrene-acrylate latex; Styrene-butadiene latex; Styrene-butadiene vinyl acetate ethylene (VAE); UCAR™ all-acrylic, styrene-acrylic and vinyl-acrylic latexes; UCAR™ POLYPHOBE™ rheology modifiers; UCARHIDETM opacifier

The **Specialty Chemicals** business provides products and services used as functional ingredients or processing aids in the manufacture of a diverse range of products. Applications include agricultural and pharmaceutical products and processing, building and construction, chemical processing and intermediates, electronics, food processing and ingredients, gas treating solvents, fuels and lubricants, oil and gas, household and institutional cleaners, coatings and paints, pulp and paper manufacturing, metal degreasing and dry cleaning, and transportation. Dow Haltermann Custom Processing provides contract and custom manufacturing services to other specialty chemical, agricultural chemical and biodiesel producers.

- **Products:** Acrylic acid/Acrylic esters; AMBITROL™ and NORKOOL™ industrial coolants; Butyl CARBITOL™ and Butyl CELLOSOLVE™ ethylene oxide; CARBOWAX™ and CARBOWAX™ SENTRY™ polyethylene glycols and methoxypolyethylene glycols; Diphenyloxide; DOW™ polypropylene glycols; DOWCAL™, DOWFROST™, DOWTHERM™, SYLTHERM and UCARTHERM™ heat transfer fluids; DOWFAX™, TERGITOL™ and TRITON™ surfactants; Ethanolamines; Ethyleneamines; Isopropanolamines; MAXIBOOST™ cleaning boosters; MAXICHECK™ solvent analysis test kits; MAXISTAB™ stabilizers; Propylene oxide-based glycol ethers; SAFE-TAINER™ closed-loop delivery system; SYNALOX™ lubricants; UCAR™ deicing fluids; UCARKLEAN™ amine management; UCARSOL™ formulated solvents; UCON™ fluids; VERSENE™ chelating agents; Fine and specialty chemicals from the Dow Haltermann Custom Processing business; Test and reference fuels, printing ink distillates, pure hydrocarbons and esters, and derivatives from Haltermann Products, a wholly owned subsidiary of Dow

The Performance Chemicals segment also includes the results of Dow Corning Corporation, and a portion of the results of the OPTIMAL Group of Companies and the SCG-Dow Group, all joint ventures of the Company.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

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**Business and Products – Continued**

**AGRICULTURAL SCIENCES**

**Applications:** control of weeds, insects and plant diseases for agriculture and pest management • agricultural seeds and traits (genes)

**Dow AgroSciences** is a global leader in providing pest management, agricultural and crop biotechnology products and solutions. The business develops, manufactures and markets products for crop production; weed, insect and plant disease management; and industrial and commercial pest management. Dow AgroSciences is building a leading plant genetics and biotechnology business in agricultural seeds, traits, healthy oils, and animal health.

- **Products:** CLINCHER™ herbicide; DITHANE™ fungicide; FORTRESS™ fungicide; GARLON™ herbicide; GLYPHOMAX™ herbicide; GRANITE™ herbicide; HERCULEX™ I, HERCULEX™RW and HERCULEX™ XTRA insect protection; KEYSTONE™ herbicides; LAREDO™ fungicide; LONTREL™ herbicide; LORSBAN™ insecticides; MILESTONE™ herbicide; MUSTANG™ herbicide; MYCOGEN™ seeds; NEXERA™ canola and sunflower seeds; PHYTOGEN™ brand cottonseeds; PROFUME™ gas fumigant; SENTRICON™ termite colony elimination system; STARANE™ herbicide; TELONE™ soil fumigant; TORDON™ herbicide; TRACER™ NATURALYTE™ insect control; VIKANE™ structural fumigant; WIDESTRIKE™ insect protection

**BASIC PLASTICS**

**Applications:** adhesives • appliances and appliance housings • agricultural films • automotive parts and trim • beverage bottles • bins, crates, pails and pallets • building and construction • coatings • consumer and durable goods • consumer electronics • disposable diaper liners • fibers and nonwovens • films, bags and packaging for food and consumer products • hoses and tubing • household and industrial bottles • housewares • hygiene and medical films • industrial and consumer films and foams • information technology • oil tanks and road equipment • plastic pipe • textiles • toys, playground equipment and recreational products • wire and cable compounds

The **Polyethylene** business is the world's leading supplier of polyethylene-based solutions through sustainable product differentiation. Through the use of multiple catalyst and process technologies, the business offers customers one of the industry's broadest ranges of polyethylene resins via a strong global network of local experts focused on partnering for long-term success.

- **Products:** ASPUN™ fiber grade resins; ATTANE™ ultra low density polyethylene (ULDPE) resins; CONTINUUM™ bimodal polyethylene resins; DOW™ high density polyethylene (HDPE) resins; DOW™ low density polyethylene (LDPE) resins; DOWLEX™ polyethylene resins; ELITE™ enhanced polyethylene (EPE) resins; TUFLIN™ linear low density polyethylene (LLDPE) resins; UNIVAL™ HDPE resins

The **Polypropylene** business, a major global polypropylene supplier, provides a broad range of products and solutions tailored to customer needs by leveraging Dow's leading manufacturing and application technology, research and product development expertise, extensive market knowledge and strong customer relationships.

- **Products:** DOW™ homopolymer polypropylene resins; DOW™ impact copolymer polypropylene resins; DOW™ random copolymer polypropylene resins; INSPIRE™ performance polymers

The **Polystyrene** business, the global leader in the production of polystyrene resins, is uniquely positioned with geographic breadth and participation in a diversified portfolio of applications. Through market and technical leadership and low cost capability, the business continues to improve product performance and meet customer needs.

- **Products:** STYRON A-TECH™ and C-TECH™ advanced technology polystyrene resins and a full line of STYRON™ general purpose polystyrene resins; STYRON™ high-impact polystyrene resins

The Basic Plastics segment also includes the results of Equipolymers and a portion of the results of EQUATE Petrochemical Company K.S.C. and the SCG-Dow Group, all joint ventures of the Company.



**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

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**BASIC CHEMICALS**

**Applications:** agricultural products • alumina • automotive antifreeze and coolant systems • carpet and textiles • chemical processing • dry cleaning • dust control • household cleaners and plastic products • inks • metal cleaning • packaging, food and beverage containers, protective packaging • paints, coatings and adhesives • personal care products • petroleum refining • pharmaceuticals • plastic pipe • pulp and paper manufacturing • snow and ice control • soaps and detergents • water treatment

The **Core Chemicals** business is a leading global producer of each of its basic chemical products, which are sold to many industries worldwide, and also serve as key raw materials in the production of a variety of Dow's performance and plastics products.

- **Products:** Acids; Alcohols; Aldehydes; Caustic soda; Chlorine; Chloroform; COMBOTHERM™ blended deicer; DOWFLAKE™ calcium chloride; DOWPER™ dry cleaning solvent; Esters; Ethylene dichloride (EDC); LIQUIDOW™ liquid calcium chloride; MAXICHECK™ procedure for testing the strength of reagents; MAXISTAB™ stabilizers for chlorinated solvents; Methyl chloride; Methylene chloride; Monochloroacetic acid (MCAA); Oxo products; PELADOW™ calcium chloride pellets; Perchloroethylene; Trichloroethylene; Vinyl acetate monomer (VAM); Vinyl chloride monomer (VCM); Vinylidene chloride (VDC)

The **Ethylene Oxide/Ethylene Glycol** business is a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and a world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Dow also supplies ethylene oxide to internal derivatives businesses. Ethylene glycol is used in polyester fiber, polyethylene terephthalate (PET) for food and beverage container applications, polyester film and antifreeze.

- **Products:** Ethylene glycol (EG); Ethylene oxide (EO)

The Basic Chemicals segment also includes the results of MEGlobal and a portion of the results of EQUATE Petrochemical Company K.S.C. and the OPTIMAL Group of Companies, all joint ventures of the Company.

**HYDROCARBONS AND ENERGY**

**Applications:** polymer and chemical production • power

The **Hydrocarbons and Energy** business encompasses the procurement of fuels, natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, power and steam principally for use in Dow's global operations. The business regularly sells its byproducts; the business also buys and sells products in order to balance regional production capabilities and derivative requirements. The business also sells products to certain Dow joint ventures. Dow is the world leader in the production of olefins and aromatics.

- **Products:** Benzene; Butadiene; Butylene; Cumene; Ethylene; Propylene; Styrene; Power, steam and other utilities

The Hydrocarbons and Energy segment also includes the results of Compañía Mega S.A. and a portion of the results of the SCG-Dow Group, both joint ventures of the Company.

**Unallocated and Other** includes the results of New Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities); Venture Capital; the Company's insurance operations and environmental operations; and certain overhead and other cost recovery variances not allocated to the operating segments.

**Industry Segments and Geographic Area Results**

See Note S to the Consolidated Financial Statements for disclosure of information by operating segment and geographic area.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

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**Business and Products – Continued**

**Number of Products**

Dow manufactures and supplies approximately 3,100 products and services. No single product accounted for more than 5 percent of the Company's consolidated net sales in 2007.

**Competition**

Historically, the chemical industry has operated in a competitive environment, and that environment is expected to continue. The Company experiences substantial competition in each of its operating segments and in each of the geographic areas in which it operates. In addition to other chemical companies, the chemical divisions of major international oil companies provide substantial competition in the United States and abroad. Dow competes worldwide on the basis of quality, price and customer service, and for 2007, continued to be the largest U.S. producer of chemicals and plastics, in terms of sales.

**Raw Materials**

The Company operates in an integrated manufacturing environment. Basic raw materials are processed through many stages to produce a number of products that are sold as finished goods at various points in those processes.

The two major raw material streams that feed the integrated production of the Company's finished goods are chlorine-based and hydrocarbon-based raw materials.

Salt, limestone and natural brine are the base raw materials used in the production of chlor-alkali products and derivatives. The Company owns salt deposits in Louisiana, Michigan and Texas; Alberta, Canada; Brazil; and Germany. The Company also owns natural brine deposits in Michigan and limestone deposits in Texas.

The Company purchases hydrocarbon raw materials including liquefied petroleum gases, crude oil, naphtha, natural gas and condensate. These raw materials are used in the production of both saleable products and energy. The Company also purchases electric power, benzene, ethylene, propylene and styrene to supplement internal production. Expenditures for hydrocarbon feedstocks and energy accounted for 49 percent of the Company's production costs and operating expenses for the year ended December 31, 2007. The Company purchases these raw materials on both short- and long-term contracts.

Other significant raw materials include acrylonitrile, aniline, bisphenol, co-monomers (for linear low density polyethylene), methanol, rubber, carbon black, ammonia, formaldehyde and toluene diamine. The Company purchases these raw materials on both short- and long-term contracts.

The Company had adequate supplies of raw materials during 2007, and expects to continue to have adequate supplies of raw materials in 2008.

**Method of Distribution**

All products and services are marketed primarily through the Company's sales force, although in some instances more emphasis is placed on sales through distributors.

Twenty-one percent of the sales of the Basic Chemicals segment in 2007 were to one customer. The Company has a supply contract with this customer on an ongoing basis. In addition, sales to MEGlobal, a 50:50 joint venture with Petrochemical Industries Company of the State of Kuwait, represented approximately 16 percent of the sales in the Basic Chemicals segment. Excess ethylene glycol produced in Dow's plants in the United States and Europe is sold to MEGlobal. Other than the sales to these customers, no significant portion of the business of any operating segment is dependent upon a single customer.

**Research and Development**

The Company is engaged in a continuous program of basic and applied research to develop new products and processes, to improve and refine existing products and processes, and to develop new applications for existing products. Research and development expenses were \$1,305 million in 2007, \$1,164 million in 2006 and \$1,073 million in 2005. At December 31, 2007, the Company employed approximately 6,100 people in various research and development activities.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

**Patents, Licenses and Trademarks**

The Company continually applies for and obtains U.S. and foreign patents. At December 31, 2007, the Company owned 2,424 active U.S. patents and 9,502 active foreign patents as follows:

<b>Patents Owned at December 31, 2007</b>		
	<i>U.S.</i>	<i>Foreign</i>
Performance Plastics	1,203	5,094
Performance Chemicals	362	1,329
Agricultural Sciences	537	1,715
Basic Plastics	149	817
Basic Chemicals	64	163
Hydrocarbons and Energy	30	229
Other	79	155
<b>Total</b>	<b>2,424</b>	<b>9,502</b>

Dow's primary purpose in obtaining patents is to protect the results of its research for use in operations and licensing. Dow is also party to a substantial number of patent licenses and other technology agreements. The Company had revenue related to patent and technology royalties totaling \$247 million in 2007, \$512 million in 2006 and \$195 million in 2005. Revenue related to licensing was higher in 2006 due to lump sum licensing revenue that was earned in the first quarter of 2006. The Company incurred royalties to others of \$57 million in 2007, \$64 million in 2006 and \$62 million in 2005. Dow also has a substantial number of trademarks and trademark registrations in the United States and in other countries, including the "Dow in Diamond" trademark. Although the Company considers that its patents, licenses and trademarks in the aggregate constitute a valuable asset, it does not regard its business as being materially dependent upon any single patent, license or trademark.

**Principal Partly Owned Companies**

Dow's principal nonconsolidated affiliates at December 31, 2007, including direct or indirect ownership interest for each, are listed below:

- Compañía Mega S.A. – 28 percent – an Argentine company that owns a natural gas separation and fractionation plant, which provides feedstocks to the Company's petrochemical plant located in Bahia Blanca, Argentina.
- Dow Corning Corporation – 50 percent – a U.S. company that manufactures silicone and silicone products. See Note J to the Consolidated Financial Statements.
- EQUATE Petrochemical Company K.S.C. – 42.5 percent – a Kuwait-based company that manufactures ethylene, polyethylene and ethylene glycol.
- Equipolymers – 50 percent – a company, headquartered in Horgen, Switzerland, that manufactures purified terephthalic acid, and manufactures and markets polyethylene terephthalate resins.
- MEGlobal – 50 percent – a company, headquartered in Dubai, United Arab Emirates, that manufactures and markets monoethylene glycol and diethylene glycol.
- The OPTIMAL Group of Companies [consisting of OPTIMAL Olefins (Malaysia) Sdn Bhd – 23.75 percent; OPTIMAL Glycols (Malaysia) Sdn Bhd – 50 percent; OPTIMAL Chemicals (Malaysia) Sdn Bhd – 50 percent] – Malaysian companies that operate an ethane/propane cracker, an ethylene glycol facility and a production facility for ethylene and propylene derivatives within a world-scale, integrated chemical complex located in Kerteh, Terengganu, Malaysia.
- The SCG-Dow Group – 49 percent [consisting of Pacific Plastics (Thailand) Limited; Siam Polyethylene Company Limited; Siam Polystyrene Company Limited; Siam Styrene Monomer Co., Ltd.; Siam Synthetic Latex Company Limited] – Thailand-based companies that manufacture polyurethanes, polyethylene, polystyrene, styrene and latex.
- Univation Technologies, LLC – 50 percent – a U.S. company that develops, markets and licenses polyethylene process technology and related catalysts.

See Note F to the Consolidated Financial Statements for additional information.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1. Business.**

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**Business and Products – Continued**

**Financial Information About Foreign and Domestic Operations and Export Sales**

In 2007, the Company derived 66 percent of its sales and had 47 percent of its property investment outside the United States. While the Company's international operations may be subject to a number of additional risks, such as changes in currency exchange rates, the Company does not regard its foreign operations, on the whole, as carrying any greater risk than its operations in the United States. Information on sales and long-lived assets by geographic area for each of the last three years appears in Note S to the Consolidated Financial Statements, and discussions of the Company's risk management program for foreign exchange and interest rate risk management appear in Item 1A. Risk Factors, Item 7A. Quantitative and Qualitative Disclosures About Market Risk, and Note H to the Consolidated Financial Statements.

**Protection of the Environment**

Matters pertaining to the environment are discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation, and Notes A and J to the Consolidated Financial Statements.

**Employees**

Personnel count was 45,856 at December 31, 2007; 42,578 at December 31, 2006; and 42,413 at December 31, 2005. During 2007, headcount was impacted by the addition of research and development employees in India and China in support of the Company's growth initiatives; the addition of approximately 110 employees with the second quarter acquisition of Hyperlast Limited; and the addition of approximately 1,700 employees with the second quarter acquisition of Wolff Walsrode AG. During 2006, headcount was impacted by the addition of approximately 550 employees associated with the acquisition of Zhejiang Omex Environmental Engineering Co. LTD by FilmTec Corporation, a wholly owned subsidiary of the Company, and a reduction of approximately 260 employees due to the sale of the plastics division of Sentrachem Limited.

**Other Activities**

Dow engages in the property and casualty insurance and reinsurance business primarily through its Liana Limited subsidiaries.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1A. Risk Factors.**

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The factors described below represent the Company's principal risks. Except as otherwise indicated, these factors may or may not occur and the Company is not in a position to express a view on the likelihood of any such factor occurring. Other factors may exist that the Company does not consider to be significant based on information that is currently available or that the Company is not currently able to anticipate.

**Volatility in purchased feedstock and energy costs impact Dow's operating costs and add variability to earnings.**

During 2007, purchased feedstock and energy costs continued to rise, adding an additional \$2.5 billion of costs compared with 2006 and accounting for 49 percent of the Company's total production costs and operating expenses in 2007, unchanged from 2006 and up from 47 percent in 2005. Purchased feedstock and energy costs are expected to remain high and volatile throughout 2008. The Company uses its feedstock flexibility and financial and physical hedging programs to lower overall feedstock costs. However, when these costs increase, the Company is not always able to immediately raise selling prices and, ultimately, its ability to pass on underlying cost increases is greatly dependent on market conditions. As a result, increases in these costs could negatively impact the Company's results of operations.

**The earnings generated by the Company's basic chemical and basic plastic products will vary from period to period based in part on the balance of supply relative to demand within the industry.**

The balance of supply relative to demand within the industry may be significantly impacted by the addition of new capacity. For basic commodities, capacity is generally added in large increments as world-scale facilities are built. This may disrupt industry balances and result in downward pressure on prices due to the increase in supply, which could negatively impact the Company's results of operations.

**The businesses of many of Dow's customers are cyclical in nature and sensitive to changes in general economic conditions.**

An economic downturn in the businesses or geographic areas in which Dow sells its products could reduce demand for these products and result in a decrease in sales volume that could have a negative impact on Dow's results of operations.

**If key suppliers are unable to provide the raw materials required for production, Dow may not be able to obtain the raw materials from other sources on as favorable terms.**

The Company purchases hydrocarbon raw materials including liquefied petroleum gases, crude oil, naphtha, natural gas and condensate. The Company also purchases electric power, benzene, ethylene, propylene and styrene to supplement internal production, and other raw materials. If the Company's key suppliers are unable to provide the raw materials required for production, it could have a negative impact on Dow's results of operations. For example, during 2005, the Company experienced temporary supply disruptions related to two major hurricanes on the U.S. Gulf Coast.

**The Company experiences substantial competition in each of the operating segments and geographic areas in which it operates.**

Historically, the chemical industry has operated in a competitive environment, and that environment is expected to continue. In addition to other chemical companies, the chemical divisions of major international oil companies provide substantial competition. Dow competes worldwide on the basis of quality, price and customer service. Increased levels of competition could result in lower prices or lower sales volume, which would have a negative impact on the Company's results of operations.

**Actual or alleged violations of environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as the assessment of strict liability and/or joint and several liability.**

The Company is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. At December 31, 2007, the Company had accrued obligations of \$322 million for environmental remediation and restoration costs, including \$28 million for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt the Company's operations, or require modifications to its facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1A. Risk Factors.**

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**Risk Factors – Continued**

**The Company is party to a number of claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions.**

Certain of the claims and lawsuits facing the Company purport to be class actions and seek damages in very large amounts. All such claims are being contested. With the exception of the possible effect of the asbestos-related liability of Union Carbide Corporation (“Union Carbide”), described below, it is the opinion of the Company’s management that the possibility is remote that the aggregate of all such claims and lawsuits will have a material adverse impact on the Company’s consolidated financial statements.

Union Carbide is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. At December 31, 2007, Union Carbide’s asbestos-related liability for pending and future claims was \$1.1 billion and its receivable for insurance recoveries related to its asbestos liability was \$467 million. At December 31, 2007, Union Carbide also had receivables of \$271 million for insurance recoveries for defense and resolution costs. It is the opinion of the Company’s management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material adverse impact on the Company’s results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

**Local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals.**

Growing public and political attention has been placed on protecting critical infrastructure, including the chemical industry, from security threats. Terrorist attacks and natural disasters have increased concern regarding the security of chemical production and distribution. In addition, local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals, which could result in higher operating costs and interruptions in normal business operations.

**Failure to develop new products could make the Company less competitive.**

The Company is engaged in a continuous program of basic and applied research to develop new products and processes, to improve and refine existing products and processes, and to develop new applications for existing products. Failure to develop new products could make the Company less competitive.

**Failure to protect the Company’s intellectual property could negatively affect its future performance and growth.**

The Company continually applies for and obtains U.S. and foreign patents to protect the results of its research for use in operations and licensing. Dow is also party to a substantial number of patent licenses and other technology agreements. The Company relies on patents, confidentiality agreements and internal security measures to protect its intellectual property. Failure to protect this intellectual property could negatively affect the Company’s future performance and growth.

**Weather-related matters could impact the Company’s results of operations.**

In 2005, two major hurricanes caused significant disruption in Dow’s operations on the U.S. Gulf Coast, logistics across the region and the supply of certain raw materials, which had an adverse impact on volume and cost for some of Dow’s products. If similar weather-related matters occur in the future, it could negatively affect Dow’s results of operations, due to the Company’s substantial presence on the U.S. Gulf Coast.

**The Company’s global business operations give rise to market risk exposure.**

The Company’s global business operations give rise to market risk exposure related to changes in foreign exchange rates, interest rates, commodity prices and other market factors such as equity prices. To manage such risks, Dow enters into hedging transactions, pursuant to established guidelines and policies. If Dow fails to effectively manage such risks, it could have a negative impact on the Company’s consolidated financial statements.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 1B. Unresolved Staff Comments.**

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**UNRESOLVED STAFF COMMENTS**

None.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 2. Properties.**

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**PROPERTIES**

The Company operates 150 manufacturing sites in 35 countries. Properties of Dow include facilities which, in the opinion of management, are suitable and adequate for the manufacture and distribution of Dow's products. During 2007, the Company's chemicals and plastics production facilities and plants operated at approximately 87 percent of capacity. The Company's major production sites are as follows:

<i>United States:</i>	Plaquemine, Louisiana; Hahnville, Louisiana; Midland, Michigan; Freeport, Texas; Seadrift, Texas; Texas City, Texas; South Charleston, West Virginia.
<i>Canada:</i>	Fort Saskatchewan, Alberta; Prentiss, Alberta.
<i>Germany:</i>	Boehlen; Leuna; Rheinmuenster; Schkopau; Stade.
<i>France:</i>	Drusenheim.
<i>The Netherlands:</i>	Terneuzen.
<i>Spain:</i>	Tarragona.
<i>Argentina:</i>	Bahia Blanca.
<i>Brazil:</i>	Aratu.

Including the major production sites, the Company has plants and holdings in the following geographic areas:

<i>United States:</i>	42 manufacturing locations in 16 states.
<i>Canada:</i>	6 manufacturing locations in 3 provinces.
<i>Europe:</i>	49 manufacturing locations in 16 countries.
<i>Latin America:</i>	26 manufacturing locations in 5 countries.
<i>Asia Pacific:</i>	22 manufacturing locations in 8 countries.
<i>India, Middle East and Africa:</i>	5 manufacturing locations in 4 countries.

All of Dow's plants are owned or leased, subject to certain easements of other persons which, in the opinion of management, do not substantially interfere with the continued use of such properties or materially affect their value. Dow leases ethylene plants in Fort Saskatchewan, Alberta, Canada, and Terneuzen, The Netherlands.

A summary of properties, classified by type, is provided in Note E to the Consolidated Financial Statements. Additional information regarding leased properties can be found in Note M to the Consolidated Financial Statements.



**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 3. Legal Proceedings.**

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**LEGAL PROCEEDINGS****Asbestos-Related Matters of Union Carbide Corporation***Introduction*

Union Carbide Corporation (“Union Carbide”), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide’s premises, and Union Carbide’s responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. (“Amchem”). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide’s products.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

The table below provides information regarding asbestos-related claims filed against Union Carbide and Amchem:

	2007	2006	2005
Claims unresolved at January 1	111,887	146,325	203,416
Claims filed	10,157	16,386	34,394
Claims settled, dismissed or otherwise resolved	(31,722)	(50,824)	(91,485)
Claims unresolved at December 31	90,322	111,887	146,325
Claimants with claims against both UCC and Amchem	28,937	38,529	48,647
Individual claimants at December 31	61,385	73,358	97,678

Plaintiffs’ lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or even thousands of claimants. As a result, the damages alleged are not expressly identified as to Union Carbide, Amchem or any other particular defendant, even when specific damages are alleged with respect to a specific disease or injury. In fact, there are no personal injury cases in which only Union Carbide and/or Amchem are the sole named defendants. For these reasons and based upon Union Carbide’s litigation and settlement experience, Union Carbide does not consider the damages alleged against Union Carbide and Amchem to be a meaningful factor in its determination of any potential asbestos liability.

*Estimating the Liability*

Based on a study completed by Analysis, Research & Planning Corporation (“ARPC”) in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide’s historical asbestos claim and resolution activity each November since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2006, Union Carbide requested ARPC to review Union Carbide’s historical asbestos claim and resolution activity and determine the appropriateness of updating its most recent study from January 2005. In response to that request, ARPC reviewed and analyzed data through October 31, 2006 and concluded that the experience from 2004 through 2006 was sufficient for the purpose of forecasting future filings and values of asbestos claims filed against Union Carbide and Amchem, and could be used in place of previous assumptions to update the January study. The resulting study, completed by ARPC in December 2006, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2021 was estimated to be between approximately \$1.2 billion and \$1.5 billion. As in its January 2003 and January 2005 studies, ARPC provided estimates for a longer period of time in its December 2006 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 3. Legal Proceedings.**

**Legal Proceedings – Continued**

Based on ARPC's December 2006 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to \$1.2 billion at December 31, 2006 which covered the 15-year period ending in 2021 (excluding future defense and processing costs). The reduction was \$177 million and was shown as "Asbestos-related credit" in the consolidated statements of income.

In November 2007, Union Carbide requested ARPC to review Union Carbide's 2007 asbestos claim and resolution activity and determine the appropriateness of updating its December 2006 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2007. In December 2007, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required. At December 31, 2007, Union Carbide's asbestos-related liability for pending and future claims was \$1.1 billion.

At December 31, 2007, approximately 31 percent of the recorded liability related to pending claims and approximately 69 percent related to future claims. At December 31, 2006, approximately 25 percent of the recorded liability related to pending claims and approximately 75 percent related to future claims.

*Defense and Resolution Costs*

The following table provides information regarding defense and resolution costs related to asbestos-related claims filed against Union Carbide and Amchem:

<b>Defense and Resolution Costs</b>				<i>Aggregate Costs to Date as of Dec. 31, 2007</i>
<i>In millions</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	
Defense costs	\$84	\$62	\$75	\$565
Resolution costs	\$88	\$117	\$139	\$1,270

The average resolution payment per asbestos claimant and the rate of new claim filings has fluctuated both up and down since the beginning of 2001. Union Carbide's management expects such fluctuations to continue in the future based upon a number of factors, including the number and type of claims settled in a particular period, the jurisdictions in which such claims arose, and the extent to which any proposed legislative reform related to asbestos litigation is being considered.

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$84 million in 2007, \$45 million in 2006 and \$75 million in 2005, and was reflected in "Cost of sales."

*Insurance Receivables*

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide's insurance policies and to resolve issues that the insurance carriers may raise.

In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds. This lawsuit was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Although the lawsuit is continuing, through the end of 2007, Union Carbide has reached settlements with several of the carriers involved in this litigation.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$467 million at December 31, 2007 and \$495 million at December 31, 2006. At December 31, 2007 and December 31, 2006, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 3. Legal Proceedings.**

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In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

<b>Receivables for Costs Submitted to Insurance Carriers at December 31</b>		
In millions	2007	2006
Receivables for defense costs	\$ 18	\$ 34
Receivables for resolution costs	253	266
Total	\$271	\$300

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

*Summary*

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material adverse impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material adverse impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

**Environmental Matters**

The Company and the Texas Commission on Environmental Quality (the "TCEQ") are in the process of combining 12 Notices of Enforcement ("NOEs") issued by the TCEQ in relation to the Company's Freeport, Texas, site into a single enforcement matter for resolution. Nine of the 12 initial penalty assessments associated with the NOEs were received by the Company in the second quarter of 2006. The 12 NOEs primarily relate to alleged fugitive air emissions, air emission events and environmental recordkeeping violations; and seek a combined civil penalty of \$858,738. The TCEQ Staff and the Company have tentatively agreed to settle these and several additional, similar matters for a combined civil penalty of \$648,904, half of which will be paid to the TCEQ, with the balance to be used to purchase low emission school buses for use near the Company's Freeport, Texas site. This settlement remains subject to final approval by the TCEQ Commissioners.

On October 1, 2007, the Company received a separate NOE from the TCEQ related to alleged air emission events at the Company's Freeport, Texas site. The NOE seeks a total civil penalty of \$354,000. While the Company expects that the penalty will ultimately be reduced, resolution of the NOE may result in a civil penalty in excess of \$100,000.

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**PART I, Item 4. Submission of Matters to a Vote of Security Holders.**

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**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matter was submitted to a vote of security holders during the fourth quarter of 2007.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

Set forth below is information related to the Company's executive officers as of January 31, 2008.

**WILLIAM F. BANHOLZER, 51. DOW CORPORATE VICE PRESIDENT AND CHIEF TECHNOLOGY OFFICER.** Employee of Dow since 2005. General Electric Company, Chemical Engineer 1983-1989. Laboratory Manager and Leader R&D Center 1989-1992. Engineering Manager of Superabrasives Business 1992-1997. Vice President of Global Engineering, GE Lighting 1997-1999. Vice President of Global Technology, GE Advanced Materials 1999-2005. Dow Corporate Vice President and Chief Technology Officer 2005 to date. Director of Dow Corning Corporation\* and Mycogen Corporation\*. Member of Dow Corning Corporation Corporate Responsibility Committee. Elected to the U.S. National Academy of Engineering in 2002. Elected NAE Councilor 2005. Member of American Chemical Society and American Institute of Chemical Engineers. Advisory Board member for chemistry and chemical engineering at University of Illinois and University of California, Berkeley.

**JULIE FASONE HOLDER, 55. DOW CORPORATE VICE PRESIDENT, CHIEF MARKETING & SALES AND REPUTATION OFFICER.** Employee of Dow since 1975. Marketing Manager, Polyurethanes Business 1981-1984. District Sales Manager, Dow Latex 1984-1989. Group Marketing Manager for Formulation Products 1989-1994. Group Marketing Manager & Global Business Director, Performance Chemicals 1994-1997. Director of Sales and Marketing, Performance Chemicals 1997-2000. Business Vice President of Industrial Chemicals 2000-2004. Business Vice President, Specialty Plastics and Elastomers 2004-2005. Corporate Vice President, Human Resources, Diversity & Inclusion and Public Affairs 2005-2007. Dow Corporate Vice President, Chief Marketing & Sales and Reputation Officer January 2008 to date. Recipient of Dow Genesis Award in 1999 and *The National Association for Female Executives* Woman of Achievement Award in 2007. Director of Wolverine Bank and The Dow Chemical Company Foundation.

**GREGORY M. FREIWALD, 54. DOW CORPORATE VICE PRESIDENT, HUMAN RESOURCES, CORPORATE AFFAIRS AND AVIATION.** Employee of Dow since 1979. Human Resources Manager, Chemical & Performance Business-U.S. Region 1992-1993. Human Resources Director for Executive, Finance, Law and Corporate 1993-1994. Latin America Human Resources and Quality Performance Director 1994-1996. Latin America Human Resources Leader and PBBPolisur Human Resources Integration Leader 1996-1997. Global Human Resources, Resources Center Director 1997-2001. Senior Human Resources Director for Global Human Resources, Resource Center and Human Resources Director for Geographic Council 2001-2004. Human Resources Vice President, Operations 2004-2005. Human Resources Vice President 2005-2006. Vice President, Corporate Affairs, Aviation and Executive Compensation 2006-2007. Corporate Vice President, Human Resources, Corporate Affairs and Aviation January 2008 to date.

**MICHAEL R. GAMBRELL, 54. DOW EXECUTIVE VICE PRESIDENT, BASIC PLASTICS AND CHEMICALS, AND MANUFACTURING AND ENGINEERING.** Employee of Dow since 1976. Business Director for the North America Chlor-Alkali Assets Business 1989-1992. General Manager for the Plastic Lined Pipe Business 1992-1994. Vice President of Operations for Latin America 1994-1996. Corporate Director, Technology Centers and Global Process Engineering 1996-1998. Global Business Director of the Chlor-Alkali Assets Business 1998-2000. Business Vice President for EDC/VCM & ECU Management 2000-2003. Business Vice President for the Chlor-Vinyl Business 2003. Senior Vice President, Chemicals and Intermediates 2003-2005. Executive Vice President, Basic Plastics and Chemicals Portfolio 2005-2007. Executive Vice President, Basic Plastics and Chemicals, and Manufacturing and Engineering March 2007 to date. Board member of Oman Petrochemical Industries Company LLC\*. Director of the National Association of Manufacturers. Board member and past chairman of World Chlorine Council. Member of U.S.-India Business Council. Recipient of the President's Distinguished Alumnus Award from Rose-Hulman Institute of Technology 1996.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 4. Submission of Matters to a Vote of Security Holders.**

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**HEINZ HALLER, 52. DOW EXECUTIVE VICE PRESIDENT, PERFORMANCE PLASTICS AND CHEMICALS.** Employee of Dow 1980-1994 and since 2006. Dow sales representative, Emulsion Polymers, Specialty Chemicals and Chlorinated Solvents 1980-1994. Managing Director, Plüss-Staufer Ag 1994-1999. Chief Executive Officer, Red Bull Sauber AG and Sauber Petronas Engineering AG 2000-2002. Managing Director, Allianz Capital Partners GmbH 2002-2006. Dow Corporate Vice President, Strategic Development and New Ventures 2006-2007. Dow Executive Vice President May 2007 to date. Director of Mycogen Corporation\* and Dow Corning Corporation\*. Member of the Dow AgroSciences LLC\* Members Committee. Director of the Michigan Molecular Institute.

**CHARLES J. KALIL, 56. DOW SENIOR VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY.** Employee of Dow since 1980. U.S. Department of Justice – Assistant U.S. Attorney, Eastern District of Michigan 1977-1980. General Counsel of Petrokemya (a former 50:50 joint venture of the Company) 1982-1983. Regional Counsel to Middle East/Africa 1983-1986. Senior Environmental Attorney 1986-1987. Litigation Staff Counsel and Group Leader 1987-1990. Senior Financial Law Counsel, Mergers and Acquisitions 1990-1992. General Counsel and Area Director of Government and Public Affairs for Dow Latin America 1992-1997. Special Counsel and Manager of INSITE™ legal issues 1997-2000. Assistant General Counsel for Corporate and Financial Law 2000-2003. Associate General Counsel for Corporate Legal Affairs 2003-2004. Dow Corporate Vice President and General Counsel November 2004-2007. Dow Senior Vice President and General Counsel March 2007 to date. Corporate Secretary 2005 to date. Board member of Dow Corning Corporation\*, Dorinco Reinsurance Company\*, Liana Limited\* and Oman Petrochemical Industries Company LLC\*. Member of the Conference Board's Council of Chief Legal Officers. Member of the American Bar Association, District of Columbia Bar and the State Bar of Michigan.

**DAVID E. KEPLER, 55. DOW SENIOR VICE PRESIDENT, CHIEF SUSTAINABILITY OFFICER, CHIEF INFORMATION OFFICER AND CORPORATE DIRECTOR OF SHARED SERVICES.** Employee of Dow since 1975. Computer Services Manager of Dow U.S.A. Eastern Division 1984-1988. Commercial Director of Dow Canada Performance Products 1989-1991. Director of Pacific Area Information Systems 1991-1993. Manager of Information Technology for Chemicals and Plastics 1993-1994. Director of Global Information Systems Services 1994-1995. Director of Global Information Application 1995-1998. Vice President 1998-2000. Chief Information Officer 1998 to date. Corporate Vice President with responsibility for eBusiness 2000 to date. Responsibility for Advanced Electronic Materials 2002-2003. Responsibility for Shared Services – Customer Service, Information Systems, Purchasing, Six Sigma, Supply Chain, and Work Process Improvement 2004 to date. Senior Vice President with responsibility for EH&S 2006 to date. Responsibility as Chief Sustainability Officer May 2007 to date. Director of Dorinco Reinsurance Company\* and Liana Limited\*. Director of Teradata Corporation. Member of U.S. Chamber of Commerce Board of Directors and Vice Chairman of the Great Lakes Region. Member of the American Chemical Society and the American Institute of Chemical Engineers. Chairman of the Chemical IT Council and Cyber Security Program.

**ANDREW N. LIVERIS, 53. DOW PRESIDENT, CHIEF EXECUTIVE OFFICER AND CHAIRMAN. DIRECTOR SINCE 2004.** Employee of Dow since 1976. General manager of Dow's Thailand operations 1989-1992. Group business director for Emulsion Polymers and New Ventures 1992-1993. General manager of Dow's start-up businesses in Environmental Services 1993-1994. Vice President of Dow's start-up businesses in Environmental Services 1994-1995. President of Dow Chemical Pacific Limited\* 1995-1998. Vice President of Specialty Chemicals 1998-2000. Business Group President for Performance Chemicals 2000-2003. President and Chief Operating Officer 2003-2004. President and Chief Executive Officer 2004 to date and Chairman 2006 to date. Director of Citigroup, Inc. and the United States Climate Action Partnership. Chairman Emeritus of the Board of the American Chemistry Council. Chairman of the Board of the International Council of Chemical Associations. Member of the American Australian Association, The Business Council, the Business Roundtable, the Detroit Economic Club, the New York Economic Club, the International Business Council, the National Petroleum Council, the Société de Chimie Industrielle, the U.S.-China Business Council and the World Business Council for Sustainable Development. Member of the Board of Trustees of Tufts University and the Herbert H. and Grace A. Dow Foundation.

**The Dow Chemical Company and Subsidiaries**  
**PART I, Item 4. Submission of Matters to a Vote of Security Holders.**

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**Executive Officers of the Registrant – Continued**

GEOFFERY E. MERSZEI, 56. DOW EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER. DIRECTOR SINCE 2005. Employee of Dow 1977-2001 and since 2005. Dow Middle East/Africa Credit Manager 1977-1980. Dow Asia Pacific Credit Manager 1980-1982. Dow Asia Pacific Finance and Credit Manager 1982-1983. Dow Germany and Eastern Europe Treasurer 1983-1986. Dow Foreign Exchange Manager 1986-1988. Director of Finance for Dow Asia Pacific 1988-1991. Director of Finance/Treasurer for Dow Europe 1991-1996. Dow Vice President and Treasurer 1996-2001. Alcan, Inc., Executive Vice President and Chief Financial Officer 2001-2005. Dow Executive Vice President and Chief Financial Officer 2005 to date. Board member of Dow Corning Corporation\*, Dow Credit Corporation\*, Dow Financial Services Inc.\*, Mycogen Corporation\*, and Oman Petrochemical Industries Company LLC\*. Chairman of Dorinco Reinsurance Company\*, Dow International Holdings, S.A.\* and Liana Limited\*. Board member of Chemical Financial Corporation. Chairman of the Conference Board's Council of Financial Executives. Trustee and Executive Committee Member of the United States Council for International Business.

FERNANDO RUIZ, 52. DOW CORPORATE VICE PRESIDENT AND TREASURER. Employee of Dow since 1980. Treasurer, Ecuador Region 1982-1984. Treasurer, Mexico Region 1984-1988. Financial Operations Manager, Corporate Treasury 1988-1991. Assistant Treasurer, USA Area 1991-1992. Senior Finance Manager, Corporate Treasury 1992-1996. Assistant Treasurer 1996-2001. Corporate Director of Insurance and Risk Management 2001. Corporate Vice President and Treasurer 2001 to date. President and Chief Executive Officer, Liana Limited\* and Dorinco Reinsurance Company\* 2001 to date. President of Dow Credit Corporation\* 2001 to date. Director of Dow Financial Services Inc.\* Member of Financial Executives International and Michigan State University (Eli Broad College of Business) Advisory Board. Member of DeVry, Inc. Board of Directors.

WILLIAM H. WEIDEMAN, 53. DOW VICE PRESIDENT AND CONTROLLER. Employee of Dow since 1976. Controller of Texas Operations 1994-1996. Global Business Controller for Specialty Chemicals 1996-1998. Global Finance Director for Specialty Chemicals 1998-2000. Global Finance Director for Performance Chemicals 2000-2004. Finance Vice President, Chemicals and Intermediates and Dow Ventures 2004-2006. Group Finance Vice President for Basic Chemicals and Plastics Portfolio 2006. Vice President and Controller 2006 to date. Director of Diamond Capital Management, Inc.\*, Dorinco Reinsurance Company\* and Liana Limited\*. Director of the Dow Chemical Employees' Credit Union and Family and Children's Services of Midland. Board and finance committee member of Mid Michigan Medical Center. Member of Financial Executives International Committee on Corporate Reporting, Member of Central Michigan University Accounting Advisory Committee and Central Michigan University Development Board.

\* A number of Company entities are referenced in the biographies and are defined as follows. Some of these entities have had various names over the years. The names and relationships to the Company, unless otherwise indicated, are stated in this footnote as they existed as of January 31, 2008. Dow Corning Corporation and Oman Petrochemical Industries Company LLC – companies ultimately 50 percent owned by Dow. Diamond Capital Management, Inc.; Dorinco Reinsurance Company; Dow AgroSciences LLC; Dow Chemical Pacific Limited; Dow Credit Corporation; Dow Financial Services Inc.; Dow International Holdings, S.A.; Liana Limited; and Mycogen Corporation – all ultimately wholly owned subsidiaries of Dow. Ownership by Dow described above may be either direct or indirect.

**The Dow Chemical Company and Subsidiaries**  
**PART II, Item 5. Market for Registrant's Common Equity,**  
**Related Stockholder Matters and Issuer Purchases of Equity Securities.**

**MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The principal market for the Company's common stock is the New York Stock Exchange.

Quarterly market and dividend information can be found in Quarterly Statistics at the end of Part II, Item 8. Financial Statements and Supplementary Data, following the Notes to the Consolidated Financial Statements.

At December 31, 2007, there were 98,699 registered common stockholders. The Company estimates that there were an additional 615,000 stockholders whose shares were held in nominee names at December 31, 2007. At January 31, 2008, there were 99,096 registered common stockholders.

On February 14, 2008, the Board of Directors announced a quarterly dividend of \$0.42 per share, payable April 30, 2008, to stockholders of record on March 31, 2008. Since 1912, the Company has paid a cash dividend every quarter and, in each instance, Dow has maintained or increased the amount of the dividend, adjusted for stock splits. During that 95-year period, Dow has increased the amount of the quarterly dividend 47 times (approximately 12 percent of the time) and maintained the amount of the quarterly dividend approximately 88 percent of the time. The Company declared dividends of \$1.635 per share in 2007, \$1.50 per share in 2006 and \$1.34 per share in 2005.

See Part III, Item 11. Executive Compensation for information relating to the Company's equity compensation plans.

The following table provides information regarding purchases of the Company's common stock by the Company during the three months ended December 31, 2007:

<b>Issuer Purchases of Equity Securities</b>			<i>Approximate dollar value of shares that may yet be purchased under the Company's publicly announced share repurchase program (2)</i>	
<i>Period</i>	<i>Total number of shares purchased (1)</i>	<i>Average price paid per share</i>	<i>Total number of shares purchased as part of the Company's publicly announced share repurchase program (2)</i>	
October 2007	510,505	\$44.86	449,500	\$1,132,017,073
November 2007	4,295,600	\$41.79	4,295,600	952,483,295
December 2007	2,425,752	\$41.20	2,425,600	852,540,131
Fourth quarter 2007	7,231,857	\$41.81	7,170,700	\$ 852,540,131

(1) Includes 61,157 shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock. For information regarding the Company's stock option plans, see Note N to the Consolidated Financial Statements.

(2) On October 26, 2006, the Company announced that the Board of Directors had approved a new share buy-back program, authorizing up to \$2 billion to be spent on the repurchase of the Company's common stock. Purchases under this program began in March 2007, following the completion of the Company's previous repurchase program.

**The Dow Chemical Company and Subsidiaries**  
**PART II, Item 6. Selected Financial Data**

In millions, except as noted <i>(Unaudited)</i>	2007	2006	2005
<b>Summary of Operations</b>			
Net sales (1)	\$ 53,513	\$ 49,124	\$ 46,307
Cost of sales (1)	46,400	41,526	38,276
Research and development expenses	1,305	1,164	1,073
Selling, general and administrative expenses	1,864	1,663	1,545
Amortization of intangibles	72	50	55
Purchased in-process research and development charges	57	-	-
Special charges, merger-related expenses, and restructuring	578	591	114
Asbestos-related charge (credit)	-	(177)	-
Other income	1,446	1,096	1,719
Interest expense - net	454	431	564
Income (Loss) before income taxes and minority interests	4,229	4,972	6,399
Provision (Credit) for income taxes	1,244	1,155	1,782
Minority interests' share in income	98	93	82
Preferred stock dividends	-	-	-
Income (Loss) before cumulative effect of changes in accounting principles	2,887	3,724	4,535
Cumulative effect of changes in accounting principles	-	-	(20)
Net income (loss) available for common stockholders	\$ 2,887	\$ 3,724	\$ 4,515
<b>Per share of common stock (in dollars): (2)</b>			
Earnings (Loss) before cumulative effect of changes in accounting principles per common share - basic	\$ 3.03	\$ 3.87	\$ 4.71
Earnings (Loss) per common share - basic	3.03	3.87	4.69
Earnings (Loss) before cumulative effect of changes in accounting principles per common share - diluted	2.99	3.82	4.64
Earnings (Loss) per common share - diluted	2.99	3.82	4.62
Cash dividends declared per share of common stock	1.635	1.50	1.34
Cash dividends paid per share of common stock	1.59	1.46	1.34
Book value per share of common stock	20.62	17.81	15.84
Weighted-average common shares outstanding - basic (2)	953.1	962.3	963.2
Weighted-average common shares outstanding - diluted (2)	965.6	974.4	976.8
Convertible preferred shares outstanding	-	-	-
<b>Year-end Financial Position</b>			
Total assets	\$ 48,801	\$ 45,581	\$ 45,934
Working capital	6,209	6,608	6,741
Property - gross	47,708	44,381	41,934
Property - net	14,388	13,722	13,537
Long-term debt and redeemable preferred stock	7,581	8,036	9,186
Total debt	9,715	9,546	10,706
Net stockholders' equity	19,389	17,065	15,324
<b>Financial Ratios</b>			
Research and development expenses as percent of net sales (1)	2.4%	2.4%	2.3%
Income (Loss) before income taxes and minority interests as percent of net sales (1)	7.9%	10.1%	13.8%
Return on stockholders' equity (3)	14.9%	21.8%	29.5%
Debt as a percent of total capitalization	31.8%	34.1%	39.1%
<b>General</b>			
Capital expenditures	\$ 2,075	\$ 1,775	\$ 1,597
Depreciation	1,959	1,904	1,904
Salaries and wages paid	4,404	3,935	4,309
Cost of employee benefits	1,130	1,125	988
Number of employees at year-end (thousands)	45.9	42.6	42.4
Number of Dow stockholders of record at year-end (thousands) (4)	98.7	103.1	105.6

(1) Adjusted for reclassification of freight on sales in 2000 and reclassification of insurance operations in 2002.

(2) Adjusted for 3-for-1 stock split in 2000.

(3) Included Temporary Equity in 1997-1999.



2004	2003	2002	2001	2000	1999	1998	1997
\$ 40,161	\$ 32,632	\$ 27,609	\$ 28,075	\$ 29,798	\$ 26,131	\$ 25,396	\$ 27,814
34,244	28,177	23,780	23,892	24,310	20,422	19,566	20,961
1,022	981	1,066	1,072	1,119	1,075	1,026	990
1,436	1,392	1,598	1,765	1,825	1,776	1,964	2,168
81	63	65	178	139	160	106	80
-	-	-	69	6	6	349	-
543	-	280	1,487	-	94	458	-
-	-	828	-	-	-	-	-
1,622	468	94	423	706	424	1,166	657
661	736	708	648	519	432	458	355
3,796	1,751	(622)	(613)	2,586	2,590	2,635	3,917
877	(82)	(280)	(228)	839	874	902	1,320
122	94	63	32	72	74	20	113
-	-	-	-	-	5	6	13
2,797	1,739	(405)	(417)	1,675	1,637	1,707	2,471
-	(9)	67	32	-	(20)	-	(17)
\$ 2,797	\$ 1,730	\$ (338)	\$ (385)	\$ 1,675	\$ 1,617	\$ 1,707	\$ 2,454
\$ 2.98	\$ 1.89	\$ (0.44)	\$ (0.46)	\$ 1.88	\$ 1.87	\$ 1.92	\$ 2.72
2.98	1.88	(0.37)	(0.43)	1.88	1.85	1.92	2.71
2.93	1.88	(0.44)	(0.46)	1.85	1.84	1.89	2.63
2.93	1.87	(0.37)	(0.43)	1.85	1.82	1.89	2.61
1.34	1.34	1.34	1.295	1.16	1.16	1.16	1.12
1.34	1.34	1.34	1.25	1.16	1.16	1.16	1.08
12.88	9.89	8.36	11.04	13.22	12.40	11.34	11.17
940.1	918.8	910.5	901.8	893.2	874.9	888.1	898.4
953.8	926.1	910.5	901.8	904.5	893.5	904.8	936.2
-	-	-	-	-	1.3	1.4	1.4
\$ 45,885	\$ 41,891	\$ 39,562	\$ 35,515	\$ 35,991	\$ 33,456	\$ 31,121	\$ 31,004
5,384	3,578	2,519	2,183	1,150	2,848	1,570	1,925
41,898	40,812	37,934	35,890	34,852	33,333	32,844	31,052
13,828	14,217	13,797	13,579	13,711	13,011	12,628	11,832
11,629	11,763	11,659	9,266	6,613	6,941	5,890	5,703
12,594	13,109	13,036	10,883	9,450	8,708	8,099	8,145
12,270	9,175	7,626	9,993	11,840	10,940	9,878	9,974
2.5%	3.0%	3.9 %	3.8 %	3.8%	4.1%	4.0%	3.6%
9.5%	5.4%	(2.3)%	(2.2)%	8.7%	9.9%	10.4%	14.1%
22.8%	18.9%	(4.4)%	(3.9)%	14.1%	14.7%	17.2%	24.5%
47.9%	55.4%	59.2 %	48.9 %	42.5%	42.2%	43.6%	43.1%
\$ 1,333	\$ 1,100	\$ 1,623	\$ 1,587	\$ 1,808	\$ 2,176	\$ 2,328	\$ 1,953
1,904	1,753	1,680	1,595	1,554	1,516	1,559	1,529
3,993	3,608	3,202	3,215	3,395	3,536	3,579	3,640
885	783	611	540	486	653	798	839
43.2	46.4	50.0	52.7	53.3	51.0	50.7	55.9
108.3	113.1	122.5	125.1	87.9	87.7	93.0	97.2

(4) Stockholders of record as reported by the transfer agent. The Company estimates that there were an additional 615,000 stockholders whose shares were held in nominee names at December 31, 2007.

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#### **FORWARD-LOOKING INFORMATION**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of The Dow Chemical Company and its subsidiaries ("Dow" or the "Company"). This section covers the current performance and outlook of the Company and each of its operating segments. The forward-looking statements contained in this section and in other parts of this document involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors as more fully discussed elsewhere and in filings with the U.S. Securities and Exchange Commission ("SEC"). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

#### **ABOUT DOW**

Dow is a diversified chemical company that combines the power of science and technology with the "Human Element" to constantly improve what is essential to human progress. The Company offers a broad range of products and services, connecting chemistry and innovation with the principles of sustainability to help provide everything from fresh water, food, and pharmaceuticals to paints, packaging and personal care products. Dow is the largest U.S. producer of chemicals and plastics, in terms of sales, with total sales of \$53.5 billion in 2007. The Company conducts its worldwide operations through global businesses, which are reported in six operating segments: Performance Plastics, Performance Chemicals, Agricultural Sciences, Basic Plastics, Basic Chemicals, and Hydrocarbons and Energy.

In 2007, the Company sold its approximately 3,100 products and its services to customers in approximately 160 countries throughout the world. Thirty-eight percent of the Company's sales were to customers in North America; 37 percent were in Europe; while the remaining 25 percent were to customers in Asia Pacific and Latin America. The Company employs approximately 45,900 people and has a broad, global reach with 150 manufacturing sites in 35 countries.

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**2007 OVERVIEW**

The Company reported solid financial performance in 2007, including record sales and earnings per share that were among the Company's highest. Dow's results demonstrated the value of its balanced business and geographic portfolio with a solid 3 percent volume growth in the combined Performance businesses (Performance Plastics, Performance Chemicals and Agricultural Sciences) outpacing a more modest gain of 1 percent in the combined Basics businesses (Basic Plastics, Basic Chemicals, and Hydrocarbons and Energy). A healthy increase in demand in Europe, Asia Pacific and Latin America compensated for a 2 percent decline in volume in North America. Despite the fifth consecutive year of double-digit percentage increases in feedstock and energy costs, the Company's focus on price and volume management, control of discretionary spending and capital expenditures, and active portfolio management delivered solid results.

With continued global economic growth, industry conditions remained sound with supply and demand roughly balanced for most of the Company's products. Sales increased 9 percent from 2006 to \$53.5 billion, establishing a new sales record for the Company. Continued volatility in feedstock and energy costs presented a challenge, impacting both costs and the ability of the Company to raise prices in a timely fashion. Despite these challenges, gains in price and volume helped to offset an increase of \$2.5 billion in purchased feedstock and energy costs. The Company continued to exercise spending discipline, partially offsetting increased spending in targeted growth areas, such as the Performance businesses and emerging geographies, with decreases in other businesses or regions. The benefits of Dow's strategic decision to invest for growth through joint ventures were again apparent in this year's results, with Dow's share of the earnings from nonconsolidated affiliates exceeding \$1 billion for the first time in the Company's history.

The Company balanced its investment in new facilities with decisions to shut down a number of less efficient assets around the world in its drive to improve the competitiveness of its global operations. Capital expenditures were held below \$2.1 billion, slightly above the level of depreciation, without sacrificing the efficiency, safety and environmental performance of Dow's manufacturing facilities. In addition, the Company's performance against key environmental and safety metrics continued to improve in 2007.

With solid earnings and cash flow, the Company maintained its strong financial position in 2007, lowering its debt-to-capital ratio to 32 percent from 34 percent at the end of 2006 and 39 percent at the end of 2005. In April 2007, Dow's Board of Directors increased the quarterly dividend by 12 percent, to an annual rate of \$1.68 per share. Since January 2006, the Company has raised its dividend by 25 percent. In the first quarter of 2007, Dow completed the share repurchase program authorized in July 2005, and commenced purchases under a new \$2 billion share buyback program announced in October 2006. For the year, the Company invested over \$1.4 billion to repurchase 32 million shares, an increase of more than 75 percent over the 18 million shares repurchased in 2006.

During 2007, the Company continued to implement its strategy, which is designed to reduce earnings cyclicality and improve earnings growth by increasing investment in the Performance businesses, maintaining integration with the Basics businesses, and growing the Basics businesses through cost-advantaged joint ventures. Some of the actions taken during 2007 include:

- Dow started up its first-ever production facility in Russia, located in Kryukovo, outside Moscow. The plant produces STYROFOAM™ extruded polystyrene insulation boards for the Dow Building Solutions business.
- Dow introduced Propylene Glycol Renewable, a propylene glycol made from the glycerin that is generated during the manufacture of biodiesel, a diesel-fuel alternative produced from vegetable oil.
- Saudi Aramco and Dow signed a Memorandum of Understanding to move forward with their multibillion-dollar joint venture chemicals and plastics production complex near Ras Tanura, Saudi Arabia.
- Dow and Chevron Phillips Chemical Company LP announced plans for a 50:50 polystyrene and styrene monomer joint venture in the Americas.
- Beijing-based Shenhua Group and Dow agreed to a detailed feasibility study for a coal-to-chemicals joint venture in the Shaanxi Province, China.
- Dow completed the acquisition of Wolff Walsrode AG and certain related affiliates and assets ("Wolff Walsrode") and formed Dow Wolff Cellulosics, a \$1 billion specialty business focused on cellulosics and related chemistries and serving a broad spectrum of industry sectors.
- Dow AgroSciences and Monsanto signed a corn cross-licensing agreement, which breaks new ground in the commercialization of gene stacking technology.
- The Company signed a Memorandum of Understanding with Brazilian ethanol producer, Crystalsev, to form a joint venture to manufacture polyethylene from sugar cane.

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**2007 Overview – Continued**

- Dow AgroSciences acquired Agromen Tecnologia, substantially expanding its Brazilian corn seed business. This transaction followed two other related acquisitions in 2007 - The Netherlands-based Duo Maize and Austrian company Maize Technologies International - strengthening the Company's global corn seed platform.
- Dow's Polyurethanes Systems business acquired Danish company Edulan A/S, an independent polyurethane systems house specializing in rigid foam and elastomer technologies.
- Dow acquired three leading epoxy systems formulators: UPPC AG in Germany, and POLY-CARB Inc. and GNS Technologies in the United States.
- Dow and Petrochemical Industries Company ("PIC") of the State of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, announced plans to form a 50:50 joint venture petrochemical company with anticipated revenues of more than \$11 billion and 5,000 employees worldwide.
- Dow announced plans to shut down a number of assets and make organizational changes within targeted support functions, in order to improve the competitiveness of its global operations. As a consequence, the Company recorded a charge of \$590 million in the fourth quarter of 2007.

For 2008, there is some uncertainty in the economic outlook for the United States. With approximately two-thirds of Dow's sales outside the United States, the Company's global footprint is expected to allow it to continue to capture growth in key regions of the world, such as Brazil, Eastern Europe/Russia, India and China. In addition, as the Company continues to implement its strategy, its focus will be on financial discipline and price/volume management which, coupled with the strong performance of the Company's joint ventures, is expected to produce another solid year of earnings for Dow.

Dow's results of operations and financial condition for the year ended December 31, 2007 are described in further detail in the following discussion and analysis.

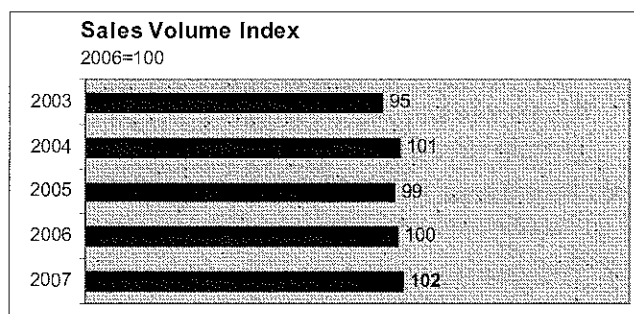
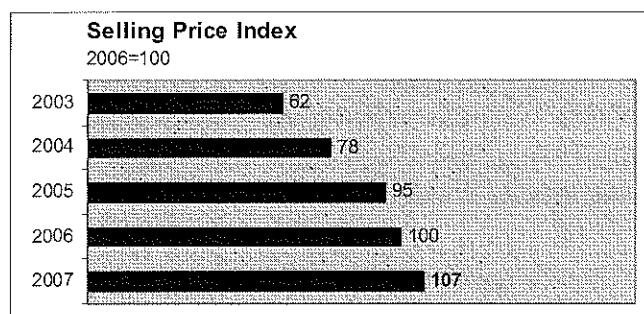
**RESULTS OF OPERATION**

Dow reported record sales of \$53.5 billion in 2007, up 9 percent from \$49.1 billion in 2006 and up 16 percent from \$46.3 billion in 2005. Compared with last year, prices rose 7 percent (with currency accounting for approximately 3 percent of the increase), with increases in all operating segments and in all geographic areas. In 2007, the most significant price increases were reported in Basic Plastics and Hydrocarbons and Energy, driven by continuing increases in feedstock and energy costs. In 2007, volume improved 2 percent from last year, with growth in all segments with the exception of a slight decline in Basic Chemicals. From a geographic standpoint, 2007 volume in the United States was down slightly, due in part to weakness in the housing and automotive industries, while Europe and the rest of the world reported significant volume growth. Growth was strong in Asia Pacific, up 8 percent from 2006, and Latin America, up 7 percent.

In 2006, sales rose 6 percent from 2005, as prices rose 5 percent, with increases in all operating segments except Agricultural Sciences, which was down 2 percent, and in all geographic areas. Volume increased 1 percent. Prices continued to be driven primarily by escalating feedstock and energy costs.

Sales in the United States accounted for 34 percent of total sales in 2007, compared with 37 percent in 2006 and 38 percent in 2005.

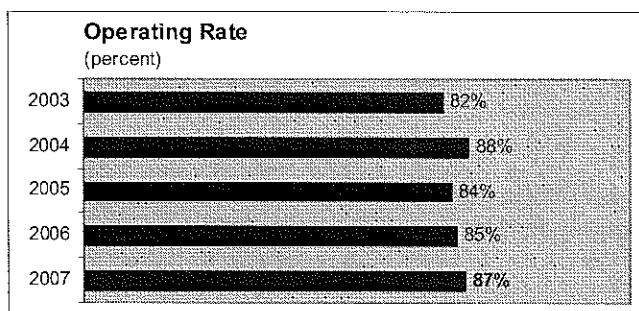
See the Sales Price and Volume table at the end of the section entitled "Segment Results" for details regarding the change in sales by operating segment and geographic area. In addition, sales and other information by operating segment and geographic area are provided in Note S to the Consolidated Financial Statements.



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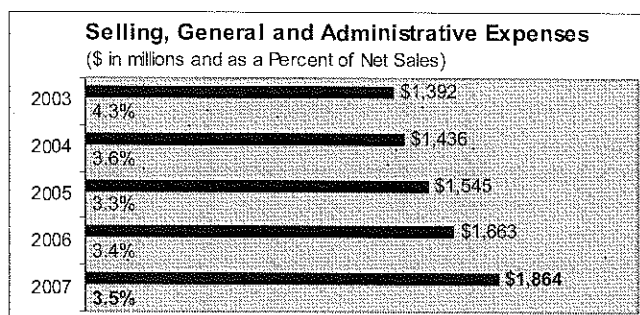
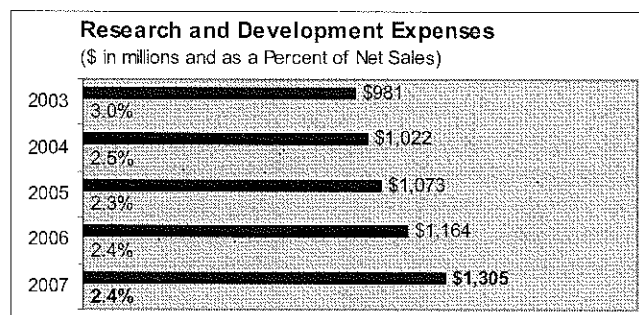
Gross margin for 2007 was \$7.1 billion, compared with \$7.6 billion in 2006 and \$8.0 billion in 2005. Despite higher selling prices of nearly \$3.3 billion, gross margin declined in 2007 compared with 2006, principally due to an increase of \$2.5 billion in feedstock and energy costs, higher costs of other raw materials, the unfavorable impact of currency on costs, and increased freight costs. Gross margin for 2006 declined \$433 million from 2005, principally due to an increase of \$2.0 billion in feedstock and energy costs and increases of more than \$400 million in the cost of other raw materials.

Dow's global plant operating rate (for its chemicals and plastics businesses) was 87 percent of capacity in 2007, up from 85 percent of capacity in 2006 and 84 percent of capacity in 2005. Operating rates improved in 2007 for most of the Company's businesses, reflecting a higher level of demand and the closure of some of the Company's manufacturing facilities. In 2006, Dow's operating rates improved for many of the Company's Basics businesses. Overall, Dow's operating rate for 2006 reflected the impact of planned maintenance turnarounds at several of Dow's manufacturing facilities. Depreciation expense was \$1,959 in 2007 and \$1,904 million in 2006 and 2005.



Personnel count was 45,856 at December 31, 2007; 42,578 at December 31, 2006; and 42,413 at December 31, 2005. During 2007, headcount was impacted by the addition of research and development employees in India and China in support of the Company's growth initiatives; the addition of approximately 110 employees with the second quarter acquisition of Hyperlast Limited; and the addition of approximately 1,700 employees with the second quarter acquisition of Wolff Walsrode. During 2006, headcount was impacted by the addition of approximately 550 employees associated with the acquisition of Zhejiang Omex Environmental Engineering Co. LTD by FilmTec Corporation, a wholly owned subsidiary of the Company, and a reduction of approximately 260 employees due to the sale of the plastics division of Sentrachem Limited.

Operating expenses (research and development, and selling, general and administrative expenses) totaled \$3,169 million in 2007, up 12 percent from \$2,827 million in 2006. Operating expenses were \$2,618 million in 2005. Research and development ("R&D") expenses were \$1,305 million in 2007, compared with \$1,164 million in 2006 and \$1,073 million in 2005. Selling, general and administrative expenses were \$1,864 million in 2007, compared with \$1,663 million in 2006 and \$1,545 million in 2005. Consistent with the Company's strategy, approximately 75 percent of the increase in operating expenses in 2007 was related to spending for growth initiatives and product development in the Performance businesses, including expenses related to the 2007 acquisition of Wolff Walsrode and Hyperlast Limited, and for early stage research into new growth opportunities. The balance of the increase was related to the global expansion of the Company's corporate branding campaign and other corporate expenses. Approximately 60 percent of the increase in operating expenses in 2006 was related to spending for growth initiatives in the Performance businesses, consistent with the Company's strategy. The balance of the increase was principally due to the allocation of a portion of stock-based compensation expense to operating expenses in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123R. Prior to the adoption of SFAS No. 123R on January 1, 2006, all stock-based compensation expense was reflected in "Cost of sales." (See Notes A and N to the Consolidated Financial Statements for additional information on this accounting standard.) Operating expenses were 5.9 percent of sales in 2007, 5.8 percent of sales in 2006 and 5.7 percent of sales in 2005.



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**Results of Operation – Continued**

The following table illustrates the relative size of the primary components of total production costs and operating expenses of Dow. More information about each of these components can be found in other sections of Management's Discussion and Analysis of Financial Condition and Results of Operation, Notes to the Consolidated Financial Statements, and Part II, Item 6. Selected Financial Data.

<b>Production Costs and Operating Expenses</b>			
Cost components as a percent of total	2007	2006	2005
Hydrocarbon feedstocks and energy	49%	49%	47%
Salaries, wages and employee benefits	11	11	13
Maintenance	3	3	3
Depreciation	4	4	5
Restructuring charges	1	1	-
Supplies, services and other raw materials	32	32	32
Total	100%	100%	100%

Amortization of intangibles was \$72 million in 2007, \$50 million in 2006 and \$55 million in 2005. Amortization of intangibles was up in 2007 due to acquisitions. During 2007, the Company performed impairment tests for goodwill in conjunction with its annual long-term financial planning process. As a result of this review, it was determined that no goodwill impairments existed. See Note G to the Consolidated Financial Statements for additional information regarding goodwill and other intangible assets.

On December 3, 2007, the Company's Board of Directors approved a restructuring plan that includes the shutdown of a number of assets and organizational changes within targeted support functions to improve the efficiency and cost effectiveness of the Company's global operations. As a result of these shutdowns and organizational changes, which are scheduled to be completed by the end of 2009, the Company recorded pretax restructuring charges totaling \$590 million in 2007. The charges consisted of asset write-downs and write-offs of \$422 million, costs associated with exit or disposal activities of \$82 million and severance costs of \$86 million. The impact of the charges is shown as "Restructuring charges" in the consolidated statements of income and was reflected in the Company's segment results as follows: Performance Plastics \$184 million, Performance Chemicals \$85 million, Agricultural Sciences \$77 million, Basic Plastics \$88 million, Basic Chemicals \$7 million, Hydrocarbons and Energy \$44 million, and Unallocated and Other \$105 million. When the restructuring plans have been fully implemented, the Company expects to realize ongoing annual savings of approximately \$180 million. See Note B to the Consolidated Financial Statements for details on the restructuring charges.

On August 29, 2006, the Company's Board of Directors approved a plan to shut down a number of assets around the world as the Company continued its drive to improve the competitiveness of its global operations. As a consequence of these shutdowns, which are scheduled to be completed in the first quarter of 2009, and other optimization activities, the Company recorded pretax restructuring charges totaling \$591 million in 2006. The charges included asset write-downs and write-offs of \$346 million, costs associated with exit or disposal activities of \$172 million and severance costs of \$73 million. The charges are shown as "Restructuring charges" in the consolidated statements of income and are reflected in the Company's segment results as follows: Performance Plastics \$242 million, Performance Chemicals \$12 million, Basic Plastics \$16 million, Basic Chemicals \$184 million, and Unallocated and Other \$137 million. In 2007, the Company recorded a \$12 million reduction of the 2006 restructuring charges, which included an \$8 million reduction of the estimated severance costs and a \$4 million reduction of the reserve for contract termination fees. These reductions impacted the Performance Plastics segment by \$4 million and the Unallocated and Other segment by \$8 million. When the restructuring plans have been fully implemented, the Company expects to realize ongoing annual savings of approximately \$160 million. See Note B to the Consolidated Financial Statements for details on the restructuring charges.

In the fourth quarter of 2005, the Company recorded pretax charges totaling \$114 million related to restructuring activities, as the Company continued to focus on financial discipline and made additional decisions regarding noncompetitive and underperforming assets, as well as decisions regarding the consolidation of manufacturing capabilities. The charges included costs of \$67 million related to the closure of approximately 20 small plants around the world, losses of \$12 million on asset sales, the write-off of an intangible asset of \$10 million and employee-related expenses of \$25 million (which was paid to 197 employees in the fourth quarter of 2005). The total of these charges is shown as "Restructuring charges" in the consolidated statements of income. The charges were recorded against the Company's operating segments as follows: \$28 million against Performance Plastics, \$14 million against Performance Chemicals, \$9 million against Agricultural Sciences, \$12 million against Basic Plastics and \$3 million against Basic Chemicals. Charges to Unallocated and Other amounted to \$48 million. For additional information, see Note B to the Consolidated Financial Statements.

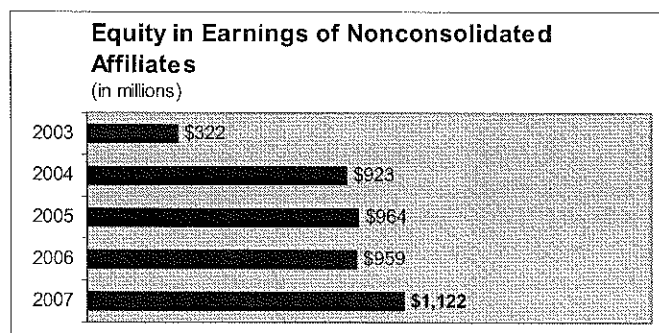
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During 2007, pretax charges totaling \$57 million were recorded for purchased in-process research and development ("IPR&D"). See Note C to the Consolidated Financial Statements for information regarding these charges. Future costs required to bring the purchased IPR&D projects to technological feasibility are expected to be immaterial.

Following the December 2006 completion of a study to review Union Carbide's asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims (excluding future defense and processing costs) by \$177 million. The reduction was shown as "Asbestos-related credit" in the 2006 consolidated statements of income and reflected in the results of Unallocated and Other. See Note J to the Consolidated Financial Statements for additional information regarding asbestos-related matters of Union Carbide.

Dow's share of the earnings of nonconsolidated affiliates in 2007 was \$1,122 million, compared with \$959 million in 2006 and \$964 million in 2005. Equity earnings in 2007 exceeded \$1 billion for the first time in the Company's history, reflecting increased earnings from EQUATE Petrochemical Company K.S.C. ("EQUATE"), MEGlobal and the OPTIMAL Group of Companies ("OPTIMAL"). Equity earnings in 2006 declined slightly from 2005 despite improved results from Dow Coming Corporation ("Dow Coming"), which was due in part to a favorable tax settlement reached in the second quarter of 2006; MEGlobal; Compañía Mega S.A.; and Univation Technologies, LLC. These improvements were offset by lower results from Equipolymers and Siam Polyethylene Company Limited ("Siam Polyethylene" which is part of the SCG-Dow Group), and the absence of equity earnings from UOP LLC ("UOP") and DuPont Dow Elastomers L.L.C., both of which the Company exited in 2005. See Note F to the Consolidated Financial Statements for additional information on nonconsolidated affiliates.



On December 13, 2007, the Company and PIC announced plans to form a 50:50 joint venture that will be a market-leading, global petrochemicals company. The joint venture, to be headquartered in the United States, will manufacture and market polyethylene, ethyleneamines, ethanolamines, polypropylene, and polycarbonate. To form the new joint venture, Dow will sell a 50 percent interest in the business assets included in the transaction to PIC. In turn, PIC and Dow will each contribute their assets into the joint venture. The resulting joint venture is expected to have revenues of more than \$11 billion and employ more than 5,000 people worldwide. The transaction is subject to the completion of definitive agreements, customary conditions and regulatory approvals, and is anticipated to close in late 2008.

Sundry income - net includes a variety of income and expense items such as the gain or loss on foreign currency exchange, dividends from investments, and gains and losses on sales of investments and assets. Sundry income for 2007 was \$324 million, up from \$137 million in 2006 and down from \$755 million in 2005. In 2007, the increase in net sundry income reflected the impact of favorable foreign exchange hedging results and gains on the sale of miscellaneous assets. In 2006, sundry income was reduced by the recognition of a loss contingency of \$85 million (reflected in the Performance Plastics segment) related to a fine imposed by the European Commission ("EC") associated with synthetic rubber industry matters (see Note J to the Consolidated Financial Statements for additional information). Sundry income for 2005 included a gain of \$637 million on the sale of Union Carbide's indirect 50 percent interest in UOP (reflected in the Performance Plastics segment) and a \$70 million gain (\$41 million reflected in the Basic Chemicals segment; \$29 million reflected in the Basic Plastics segment) on the sale of a portion of Union Carbide's interest in EQUATE in the first quarter of 2005. In November 2004, Union Carbide sold a 2.5 percent interest in EQUATE to National Bank of Kuwait for \$104 million. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer, which resulted in the first quarter gain and reduced Union Carbide's ownership interest from 45 percent to 42.5 percent. Sundry income for 2005 was reduced by a cash donation of \$100 million to The Dow Chemical Company Foundation for aid to education and community development and a loss of \$31 million associated with the early extinguishment of \$845 million of debt (both reflected in Unallocated and Other).

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**Results of Operation – Continued**

Net interest expense (interest expense less capitalized interest and interest income) was \$454 million in 2007, up slightly from \$431 million in 2006 and down significantly from \$564 million in 2005. Interest income was \$130 million in 2007, down from \$185 million in 2006 principally due to lower levels of cash and cash equivalents. Interest income was \$138 million in 2005. Interest expense (net of capitalized interest) and amortization of debt discount totaled \$584 million in 2007, \$616 million in 2006 and \$702 million in 2005. Interest expense declined in 2007 due to a lower level of debt throughout the year versus 2006.

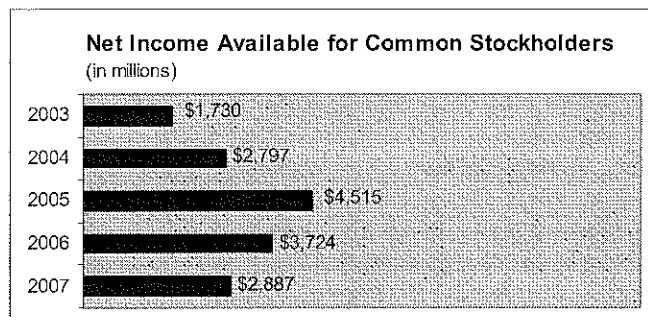
The provision for income taxes was \$1,244 million in 2007, compared with \$1,155 million in 2006 and \$1,782 million in 2005. The Company's effective tax rate fluctuates based on, among other factors, where income is earned and the level of income relative to tax credits available. For example, as the percentage of foreign sourced income increases, the Company's effective tax rate declines. The Company's tax rate is also influenced by equity earnings, since most of the earnings from the Company's equity companies are taxed at the joint venture level. In 2007, the effective tax rate was 29.4 percent, compared with 23.2 percent in 2006 and 27.8 percent in 2005. The tax rate for 2007 was negatively impacted by a change in German tax law that was enacted in August and included a reduction in the German income tax rate. As a result of the change, the Company adjusted the value of its net deferred tax assets in Germany (using the lower tax rate) and recorded a charge of \$362 million against the "Provision for income taxes" in the third quarter of 2007. The reduction in the German income tax rate, which was effective January 1, 2008, is expected to have a small incremental benefit to the Company's effective tax rate in the future. Also in 2007, the Company changed the legal ownership structure of its investment in EQUATE, resulting in a favorable impact to the "Provision for income taxes" of \$113 million in the fourth quarter of 2007. Excluding these items, the effective tax rate was 23.5 percent in 2007.

Based on tax strategies developed in Brazil during 2006, as well as projections of future earnings, it was determined that it was more likely than not that tax loss carryforwards would be utilized, resulting in a reversal of existing valuation allowances of \$63 million. This impact, combined with strong financial results in jurisdictions with lower tax rates than the United States, enacted reductions in the tax rates in Canada and The Netherlands, and improved earnings from a number of the Company's joint ventures, resulted in an effective tax rate for 2006 that was lower than the U.S. statutory rate. In the second quarter of 2005, the Company finalized its plan for the repatriation of foreign earnings subject to the requirements of the American Jobs Creation Act of 2004 ("AJCA"), resulting in a credit to the provision for income taxes of \$113 million (see Notes A and R to the Consolidated Financial Statements). On January 23, 2006, the Company received an unfavorable tax ruling from the United States Court of Appeals for the Sixth Circuit reversing a prior decision by the United States District Court relative to corporate owned life insurance, resulting in a charge to the provision for income taxes of \$137 million in the fourth quarter of 2005. Excluding these items, the effective tax rate was 24.5 percent in 2006 and 27.5 percent in 2005. The underlying factors affecting Dow's overall effective tax rates are summarized in Note R to the Consolidated Financial Statements.

Minority interests' share in income was \$98 million in 2007, \$93 million in 2006 and \$82 million in 2005.

Cumulative effect of change in accounting principle reflected an after-tax charge of \$20 million in 2005 related to the adoption of FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations," on December 31, 2005. See Note A to the Consolidated Financial Statements for additional information regarding this change in accounting principle.

Net income available for common stockholders was \$2,887 million in 2007 (\$2.99 per share) compared with \$3,724 million in 2006 (\$3.82 per share) and \$4,515 million in 2005 (\$4.62 per share).





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The following table summarizes the impact of certain items recorded in 2007, 2006 and 2005:

In millions, except per share amounts	<i>Pretax Impact (1)</i>			<i>Impact on Net Income (2)</i>			<i>Impact on EPS (3)</i>		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Restructuring charges	\$(578)	\$(591)	\$(114)	\$(436)	\$(445)	\$ (77)	\$(0.46)	\$(0.46)	\$(0.08)
Purchased in-process research and development charges	(57)	-	-	(50)	-	-	(0.05)	-	-
Asbestos-related credit	-	177	-	-	112	-	-	0.12	-
Sundry income - net:									
Loss contingency related to EC fine	-	(85)	-	-	(84)	-	-	(0.09)	-
Gain on sale of EQUATE shares	-	-	70	-	-	46	-	-	0.05
Gain on sale of interest in UOP	-	-	637	-	-	402	-	-	0.41
Loss on early extinguishment of debt	-	-	(31)	-	-	(20)	-	-	(0.02)
Cash donation for aid to education and community development	-	-	(100)	-	-	(65)	-	-	(0.07)
Provision for income taxes:									
AJCA repatriation of foreign earnings	-	-	-	-	-	113	-	-	0.12
Unfavorable tax ruling	-	-	-	-	-	(137)	-	-	(0.14)
German tax law change	-	-	-	(362)	-	-	(0.38)	-	-
Change in EQUATE legal ownership structure	-	-	-	113	-	-	0.12	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-	(20)	-	-	(0.02)
<b>Total</b>	<b>\$(635)</b>	<b>\$(499)</b>	<b>\$ 462</b>	<b>\$(735)</b>	<b>\$(417)</b>	<b>\$ 242</b>	<b>\$(0.77)</b>	<b>\$(0.43)</b>	<b>\$ 0.25</b>

(1) Impact on "Income before Income Taxes and Minority Interests"

(2) Impact on "Net Income Available for Common Stockholders"

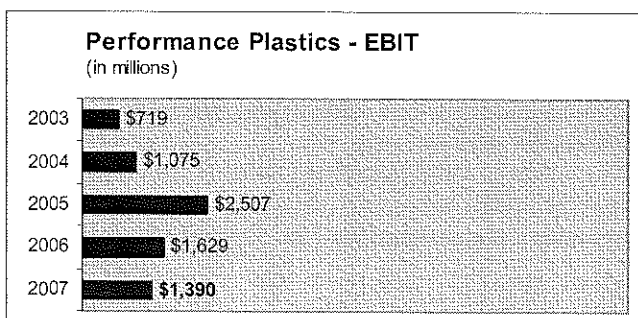
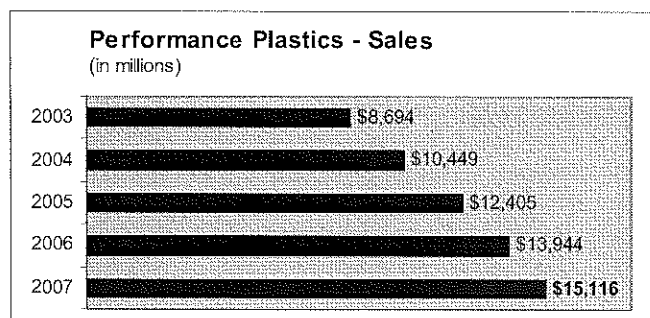
(3) Impact on "Earnings per common share - diluted"

## SEGMENT RESULTS

The Company uses EBIT (which Dow defines as earnings before interest, income taxes and minority interests) as its measure of profit/loss for segment reporting purposes. EBIT includes all operating items relating to the businesses and excludes items that principally apply to the Company as a whole. Additional information regarding the Company's operating segments and a reconciliation of EBIT to "Net Income Available for Common Stockholders" can be found in Note S to the Consolidated Financial Statements.

## PERFORMANCE PLASTICS

Performance Plastics sales were \$15,116 million in 2007, up from \$13,944 million in 2006 and \$12,405 million in 2005. Compared with 2006, sales increased 8 percent, as prices, including the favorable impact of currency (which accounted for about half of the increase in prices), rose 6 percent and volume improved 2 percent. Prices improved in all geographic areas with particular strength in Europe and Latin America as improved industry supply/demand fundamentals in certain businesses and increasing raw material costs drove prices higher. The overall improvement in volume was limited by weakness in North America and the impact of significant lump sum technology licensing revenue that was realized in the first quarter of 2006 and did not recur in 2007. Outside North America, volume increased 8 percent, with solid gains across most businesses in Europe, Latin America and Asia Pacific. In 2006, volume improved 7 percent and prices increased 5 percent over 2005. Volume in 2006 benefited from the full-year impact of the addition of ENGAGE™, NORDEL™ and TYRIN™ elastomers, acquired by the Company when it divested its interest in DuPont Dow Elastomers L.L.C. ("DDE") in 2005 (see Note F to the Consolidated Financial Statements) and from significant lump sum licensing revenue earned in the first quarter of 2006.



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**Segment Results – Continued**

EBIT for 2007 was \$1,390 million, compared with \$1,629 million in 2006 and \$2,507 million in 2005. Results for 2007 were negatively impacted by net restructuring charges of \$180 million, which included \$184 million related to the fourth quarter announced closure or impairment of a number of manufacturing facilities, offset by a \$4 million reduction of the 2006 restructuring reserve for contract termination fees (see Note B to the Consolidated Financial Statements). The restructuring charges included the write-down of manufacturing assets, the write-off of obsolete capital spending and the accrual of contract termination fees associated with plant shutdown decisions. The most significant charges included impairment charges related to a rubber plant in Berre, France, and associated contract cancellation fees totaling \$61 million; the write-down of the automotive sealants business in North America, Latin America and Asia Pacific which totaled \$58 million; and the \$29 million write-down of assets related to a fiber solution manufacturing plant in Tarragona, Spain. Results for 2006 were reduced by the recognition of a loss contingency of \$85 million related to a fine imposed by the EC associated with synthetic rubber industry matters (see Note J to the Consolidated Financial Statements) and \$242 million in asset restructuring costs as part of the plan announced by the Company in the third quarter of 2006, which included the permanent shutdown of the Company's toluene diisocyanate ("TDI") plant in Porto Marghera, Italy. Excluding the impact of these items, EBIT declined in 2007 primarily due to the lump sum technology licensing revenue that was earned in 2006 and that did not recur in 2007, and an increase in operating expenses related to the Company's efforts to expand geographic markets and develop new technologies and product applications within the Performance Plastics segment. EBIT for 2005 included a gain of \$637 million related to the sale of Union Carbide's indirect 50 percent interest in UOP to a wholly owned subsidiary of Honeywell International, Inc. and charges totaling \$28 million associated with the closure of six small manufacturing sites as part of the restructuring activities completed in the fourth quarter of 2005. Excluding the impact of these items, EBIT in 2006 improved over 2005 as higher selling prices and improved volumes more than offset the impact of increased raw material costs and lower equity earnings.

Dow Automotive sales for 2007 were up 11 percent from 2006 driven by a 7 percent increase in volume and a 4 percent increase in price, principally due to the favorable impact of currency. The business benefited from its broad geographic reach in 2007 as strong volume gains in Asia Pacific, Latin America and Europe more than compensated for weakness in the North American automotive industry. The ability to raise prices was limited by the weakness in North America and customer efforts to establish dual sourcing positions. EBIT for 2007 was reduced by \$64 million of restructuring charges primarily associated with the Company's decision in the fourth quarter of 2007 to exit the automotive sealants business in North America, Latin America and Asia Pacific. Excluding these charges, EBIT for the business declined in 2007 due to higher raw material costs, increased spending on product development and business growth initiatives, and higher costs associated with the consolidation of manufacturing operations in North America and Europe. When completed in 2009, this consolidation is expected to result in lower costs for the business.

Dow Building Solutions sales in 2007 established a new record for the business, up 6 percent from the previous sales record set in 2006, despite a 15-year low in new housing starts in North America. The improvement was driven by higher prices of 7 percent, including the favorable impact of currency, which more than offset a 1 percent decline in volume. Price improvement was widespread with increases noted in all geographic areas. The decline in volume, which was driven by weakness in U.S. residential construction, was mitigated in large part by solid demand in Europe and efforts by the business to shift focus in the United States to commercial construction. EBIT in 2007 was negatively impacted by restructuring charges of \$21 million related to the closure of five small manufacturing plants. Excluding the impact of the restructuring charges, EBIT in 2007 was down from 2006 as higher raw material costs and increased spending on market expansion activities in emerging geographies and development work on new products and technology exceeded the benefit of higher selling prices.

Dow Epoxy sales in 2007 increased 7 percent compared with last year, reflecting a 10 percent increase in price and a 3 percent decline in volume. Prices improved in all geographic areas and across most businesses. Volume declined due to lower sales of intermediate products and the Company's 2006 exit of the peroxymeric chemicals business, more than offsetting volume gains in the rest of the world. Results for 2007 included a restructuring charge of \$2 million related to the Company's fourth quarter of 2007 decision to exit the hydroxyalkyl acrylate business. Results for 2006 included a restructuring charge of \$9 million related to the Company's third quarter of 2006 decision to exit the peroxymeric chemicals business in North America, Europe and Asia Pacific. EBIT in 2007 declined versus 2006 as the favorable impact of higher selling prices was more than offset by lost margin on lower sales volume, higher operating expenses and margin compression from higher raw material costs.

Polyurethanes and Polyurethane Systems sales for 2007 increased 11 percent versus the prior year with price, including the favorable impact of currency, up 6 percent and volume up 5 percent. The increase in price was driven by tight industry supply/demand fundamentals for TDI. Volume improved significantly in 2007 for Polyurethane Systems due to the formation

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of the majority owned Dow Izolan joint venture in Russia and the acquisitions of Hyperlast Limited and Edulan A/S. EBIT for 2006 included significant restructuring charges associated with the Company's decision to shut down the TDI facility in Porto Marghera, Italy. Excluding this impact, EBIT in 2007 increased from 2006 as higher selling prices and increased margin on volume gains more than offset the impact of higher raw material costs and operating expenses.

Specialty Plastics and Elastomers established a new sales record in 2007, up 13 percent versus 2006, due to a 7 percent increase in volume and a 6 percent improvement in price. The increases in both volume and price were broad-based with improvement in all geographic areas and most businesses. EBIT for 2007 included restructuring charges of \$97 million, including impairment charges related to a rubber plant in Berre, France, and a fiber solution plant in Tarragona, Spain. EBIT for 2006 included a restructuring charge of \$11 million related to the shutdown of the polyethylene wax plant in Sarnia, Ontario, Canada, and a loss contingency of \$85 million related to the EC fine. Excluding these items, EBIT declined for the business as higher raw material costs, coupled with increased spending on plant maintenance and operations, more than offset the benefit of higher selling prices and increased sales volume.

Technology Licensing and Catalyst sales and EBIT were down significantly in 2007 due to lump sum licensing revenue earned in 2006 that did not recur in 2007.

**Performance Plastics Outlook for 2008**

Performance Plastics sales are expected to increase in 2008 as the Company continues to invest in Performance businesses and pursue growth opportunities in developing geographic areas. Additional industry capacity for some products may result in downward pressure on pricing. Raw material costs are expected to remain challenging as higher feedstock and energy costs continue to drive prices higher.

Dow Automotive expects sales growth in line with automotive industry trends. Conditions in the North American automotive industry are expected to deteriorate further. To mitigate the impact of declining demand in North America, the business will focus on growth opportunities in Latin America and Eastern Europe, as well as expanding its position in Asia Pacific. Prices are expected to improve slightly in 2008 as producers attempt to recover some of the margin lost in 2007. New plants in Midland, Michigan and Schkopau, Germany are expected to start up in 2008. These facilities will replace older, less efficient plants, which are expected to close when the new facilities become fully operational.

Dow Building Solutions expects moderate volume improvement in 2008, led by continued growth in Europe and solid commercial construction demand in the United States. The business expects the U.S. residential construction industry to continue to struggle in 2008, potentially reaching the bottom in the second half of the year. Conditions in the U.S. credit market will be a key factor in how U.S. residential construction develops in 2008. Pricing is expected to rise slightly on a global basis in line with the outlook for feedstock and other raw material costs. Continued low pricing on oriented strand board is expected to keep pressure on polyisocyanurate rigid foam and extruded polystyrene sheathing in North America. Pricing pressure is also expected in Europe where additional industry capacity will come on line in 2008. The Company will continue to invest in the Dow Building Solutions business during 2008 as new foaming agent formulations, compliant with the Montreal Protocol, are implemented in North American manufacturing sites for the production of STYROFOAM™ XPS insulation.

Dow Epoxy volume is expected to increase in 2008 with three recent acquisitions - UPPC AG, POLY-CARB Inc. and GNS Technologies - driving growth in new systems applications; and continued strength in the key existing applications for electrical laminates, coatings and civil engineering. Margins are expected to come under some pressure from rising feedstock and energy costs as the addition of new industry capacity starting up in Asia Pacific in 2008 is expected to limit the ability of the business to raise prices.

Polyurethanes and Polyurethane Systems expect volume to grow in 2008, benefiting from the full-year integration of recent acquisitions (including Hyperlast Limited), as well as continued growth in insulation and other applications. Industry fundamentals are expected to be less tight in 2008 as industry production volume increases for key products. Prices are expected to increase in response to increasing feedstock and other raw material costs, although price increases may not fully offset these higher costs.

Specialty Plastics and Elastomers expect continued sales growth in 2008 driven primarily by higher volumes. Continued weakness in North America is expected to be offset by strength in Latin America, Europe and Asia Pacific. The infrastructure building industry remains strong, which should benefit the Wire & Cable business, and demand for packaging is expected to continue growing with food related applications, providing an opportunity for additional growth. While polycarbonate industry fundamentals remain challenging, demand is expected to continue to grow and should improve the industry supply/demand balance going forward.

Technology Licensing and Catalyst revenue is expected to remain solid in 2008 with volume remaining firm.

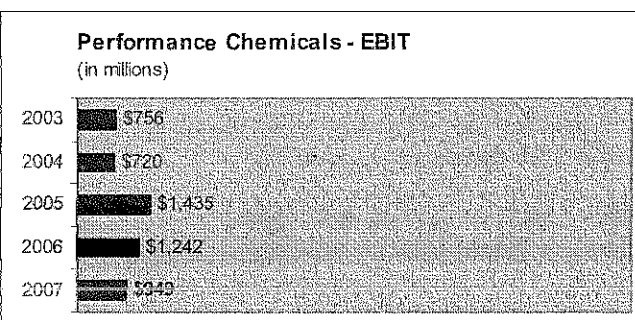
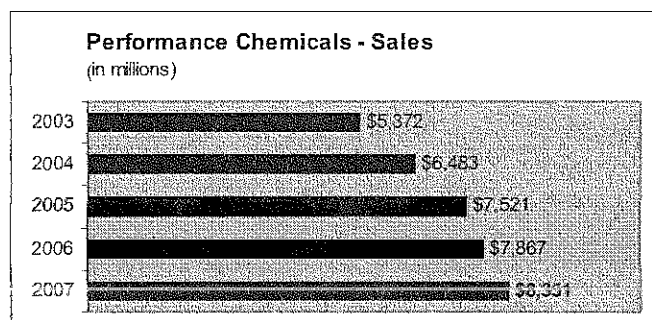


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**Segment Results – Continued**

**PERFORMANCE CHEMICALS**

Performance Chemicals sales increased 6 percent to \$8,351 million in 2007, compared with \$7,867 million in 2006; sales were \$7,521 million in 2005. Compared with 2006, volume increased 2 percent, while prices rose 4 percent, largely due to the favorable impact of currency. The volume increase in 2007 was due in large part to the second quarter acquisition of Wolff Walsrode. In 2006, volume rose 4 percent from 2005 across most businesses in Europe, Latin America and Asia Pacific, while prices rose 1 percent.



EBIT for 2007 was \$949 million, compared with \$1,242 million in 2006 and \$1,435 million in 2005. Despite higher equity earnings from Dow Corning, EBIT declined in 2007 due to increases in raw material costs and higher operating expenses, as the businesses invested in new product development and growth initiatives, including integration costs associated with the acquisition of Wolff Walsrode. In addition, EBIT in 2007 was reduced by restructuring charges totaling \$85 million and a \$7 million charge for IPR&D related to the Wolff Walsrode acquisition. The restructuring charges included the write-down of manufacturing assets (due to plant closures in Aratu, Brazil; Freeport, Texas; and Midland, Michigan) totaling \$43 million and the \$42 million impairment write-down of the Company's indirect 50 percent interest in Dow Reichhold Specialty Latex LLC. In 2006, EBIT declined as higher raw material and energy costs more than offset higher selling prices. In addition, EBIT in 2006 was reduced by restructuring charges totaling \$12 million. In 2005, EBIT was negatively impacted by charges of \$14 million related to the closure of five small manufacturing facilities. See Notes B and C to the Consolidated Financial Statements for additional information regarding restructuring charges and IPR&D.

Designed Polymers sales increased 23 percent versus 2006, with volume growth of 20 percent and price increases of 3 percent. The improvement in volume was primarily due to the second quarter acquisition of Wolff Walsrode. Excluding these sales, volume for the business was up 7 percent, driven by higher sales in biocides, methyl cellulose, and Dow Water Solutions. The improvement in volume was across all geographic areas, with double-digit growth in Europe, Latin America and Asia Pacific. Compared with 2006, EBIT declined significantly due to higher operating expenses, including expenses related to the acquisition of Wolff Walsrode, and higher raw material costs. In addition, EBIT for 2007 was reduced by restructuring charges totaling \$27 million related to the permanent closure of the cellulose plant in Aratu, Brazil, and the shutdown of a small pharmaceutical plant in Midland, Michigan, as well as a \$7 million IPR&D charge.

Dow Latex sales for 2007 were flat with 2006, as a 5 percent increase in price was offset by a 5 percent decline in volume. Compared with 2006, paper and carpet latex prices were higher in all geographic areas. Volume was down, however, primarily due to challenging conditions in both the paper and carpet industries. Carpet latex was down due to the slow housing industry in North America, while paper latex continued to be impacted by changes in the advertising industry as spending moves toward alternative media versus print and coated paper. Prices were slightly higher for specialty latex, however, volume declined due to sluggish demand for architectural coatings in North America. Despite higher selling prices, EBIT declined significantly in 2007 due to lower volumes and higher feedstock and energy costs. In addition, EBIT in 2007 was reduced by a charge of \$42 million related to the write-down of the Company's indirect 50 percent interest in Dow Reichhold Specialty Latex LLC.

Specialty Chemicals sales were up 2 percent versus 2006, with a 3 percent increase in price and a 1 percent decrease in volume. Compared with 2006, prices were up across all geographic areas except North America, principally driven by higher raw material costs. Volume declined slightly versus 2006 primarily due to planned and unplanned outages at OPTIMAL, which manufactures products that are sold by Dow in Asia Pacific. EBIT in 2007 declined as higher raw material and energy costs and lower operating rates more than offset improvements in price. In addition, EBIT in 2007 was reduced by restructuring charges totaling \$16 million related to the write-down of two manufacturing facilities.

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**Performance Chemicals Outlook for 2008**

Performance Chemicals sales for 2008 are expected to increase as the Company benefits from growth opportunities related to the acquisition of Wolff Walsrode. Prices are expected to be higher across most major product lines reflecting good industry fundamentals, although excess industry supply and volatility of feedstock and energy costs will continue to put pressure on margins in Dow Latex.

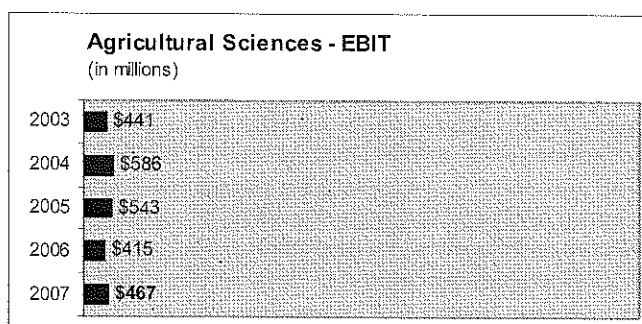
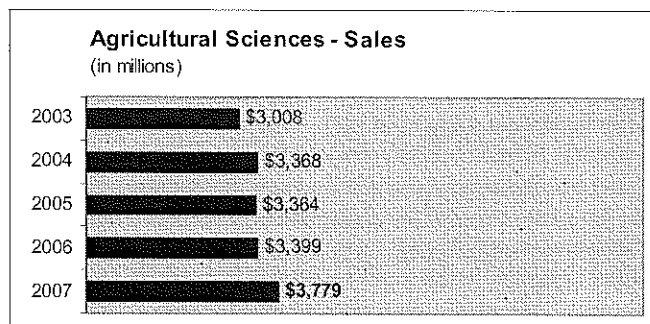
Designed Polymers sales are expected to increase significantly with higher prices for methyl celluloses and CELLOSIZETM hydroxyethyl cellulose used in food ingredients, pharmaceuticals and personal care products. Price and volume improvements are also expected in Specialty Polymers, Dow Water Solutions, biocides, and the specialty chemical products of ANGUS Chemical Company.

Dow Latex sales are expected to decrease due to the slowdown in residential housing construction in North America, which will impact demand for specialty latex. In addition, some customers may seek lower cost alternatives to styrene-butadiene latex products in coated paper applications.

Specialty Chemicals prices are expected to decrease slightly due to declining monoethylene glycol prices, which will put pricing pressure on ethylene oxide derivative products, including amines and glycol ethers.

**AGRICULTURAL SCIENCES**

Sales for Agricultural Sciences were \$3,779 million in 2007, compared with \$3,399 million in 2006 and \$3,364 million in 2005. Volume increased 9 percent, compared with 2006, while prices increased 2 percent. The increase in price was primarily driven by the favorable impact of currency which offset local currency price decreases associated with generic competition. Volume was up significantly across several product lines in 2007. Strong volume growth continued for new products including penoxsulam rice herbicide and aminopyralid herbicide for range and pasture, which reported sales almost double the levels of 2006. Demand in cereals applications drove fluroxypyr mixtures and florasulam sales higher, while glyphosate and its mixtures grew in conjunction with the global increase in corn acreage. Spinosad and chlorpyrifos sales both benefited from a mild winter and early spring in Europe, while low termite pressure and the slow housing construction in the United States adversely impacted sales of SENTRICON™ Termite Colony Elimination System and sulfuryl fluoride. Demand creation efforts continued to progress as several additional large restaurant chains chose to use Omega-9 oils, heart-healthy canola and sunflower oils derived from NEXERA™ seed, in their establishments. In 2006, volume increased 3 percent from 2005, while prices declined 2 percent, primarily due to highly competitive industry conditions in Brazil and the unfavorable impact of currency in Europe and Asia Pacific. Volume increased as sales of insecticides rebounded from the competitive pressures of 2005. In 2006, commodity herbicides also benefited from the adoption of herbicide-tolerant soybeans in Brazil and herbicide-tolerant corn in the United States, while increased sales of cotton, sunflower and canola seed more than offset lower sales of corn seed in the United States.



EBIT in 2007 was \$467 million versus \$415 million in 2006 and \$543 million in 2005. The increase in EBIT in 2007 was primarily the result of strong demand related to high farm commodity prices and increased acres planted, economic stability across Latin America, and marked improvement in seeds operations. EBIT in 2007 was negatively impacted by \$77 million of restructuring charges primarily related to the impairment of the Company's manufacturing site in Lauterbourg, France, and by IPR&D charges totaling \$50 million related to recent acquisitions. See Notes B and C to the Consolidated Financial Statements for additional information regarding restructuring charges and IPR&D. In 2006, EBIT declined from 2005 due to downward pricing pressure in highly competitive industry conditions, product mix and an increase in raw material costs.

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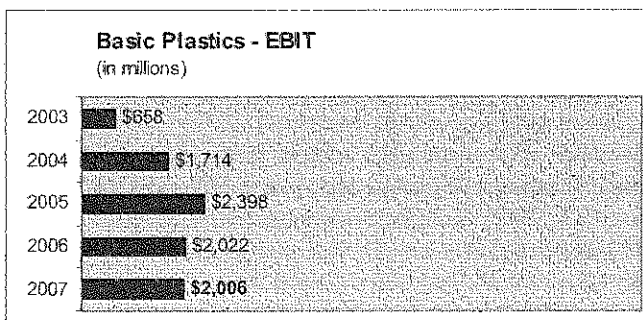
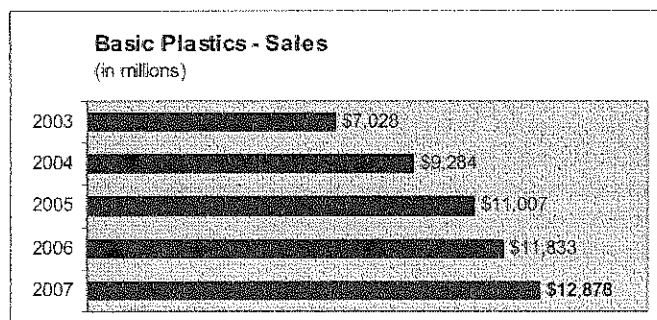
**Segment Results – Continued**

**Agricultural Sciences Outlook for 2008**

Agricultural Sciences sales for 2008 are expected to grow above the levels achieved in 2007. Volume is expected to increase in key regions as farm commodity prices and grower confidence remain high. Price is anticipated to be relatively flat despite pricing pressure from generic competition in agricultural chemicals. Growth is anticipated in Brazil, but at a lesser rate than experienced with the economic rebound in 2007. The launch of pyroxsulam (cereal herbicide) and continued ramp-up of newer products, such as spinetoram, penoxsulam, aminopyralid, and WIDESTRIKE™ and HERCULEX™ insect protection, are expected to continue to increase sales. In addition, demand for Omega-9 oils should continue to build momentum in the healthy oils market segment. Consistent with the Company's strategy, the business expects to increase spending for the discovery and development of new products.

**BASIC PLASTICS**

Sales for the Basic Plastics segment were \$12,878 million in 2007, up 9 percent from \$11,833 million in 2006. Sales were \$11,007 million in 2005. Prices, including the favorable impact of currency, increased 8 percent in 2007, while volume increased 1 percent. Price increases were reported in all geographic areas, reflecting significantly higher feedstock and energy costs. While volume was significantly higher in Asia Pacific and Europe, higher prices, a very competitive industry environment, and growing concerns about the strength of the U.S. economy resulted in lower volume in North America which was also impacted by the shutdown of two production facilities at the end of 2006. In 2006, prices increased 7 percent over 2005, while volume increased 1 percent. The increase in selling prices reflected significantly higher feedstock and energy costs in 2006. While volume was up significantly in Asia Pacific and Latin America, volume declined in North America as customers reduced inventories.



EBIT for 2007 was \$2,006 million, down from \$2,022 million in 2006 and \$2,398 million in 2005. EBIT declined in 2007 as price increases were not sufficient to offset the significant increases in feedstock and other raw material costs. Compared with last year, equity earnings increased due to significantly higher earnings from EQUATE (due to planned maintenance turnarounds in 2006), partially offset by lower equity earnings from Siam Polyethylene and Equipolymers. EBIT in 2007 was reduced by restructuring charges totaling \$88 million related to the announced shutdown of the polypropylene production facility at St. Charles Operations in Hahnville, Louisiana; the write-down of the Company's 50 percent interest in Pétromont and Company, Limited Partnership; and the write-off of abandoned engineering costs. In 2006, EBIT declined from 2005 as price increases were not sufficient to offset the significant increases in feedstock and other raw material costs. Equity earnings from EQUATE and Siam Polyethylene in 2006 were also lower due to planned maintenance turnarounds. In addition, EBIT in 2006 was negatively impacted by restructuring charges totaling \$16 million related to the shutdown of the polystyrene and polyethylene production facilities in Sarnia, Ontario, Canada.

Polyethylene sales increased 8 percent in 2007 as prices increased 6 percent and volume increased 2 percent. Prices rose in all geographic areas, except North America, in response to significantly higher feedstock and energy costs. In North America, prices declined slightly as highly competitive industry conditions and soft demand made it difficult to implement price increases. Substantial volume growth in Asia Pacific and Europe, combined with modest increases in North America and Latin America, more than offset a notable decline in South Africa due to the sale of the Company's polyethylene manufacturing plant in that country in 2006. EBIT decreased slightly in 2007 as higher selling prices, lower operational costs, and higher equity earnings were more than offset by higher feedstock costs. EBIT in 2007 was reduced by a restructuring charge of \$46 million related to the impairment write-down of the Company's 50 percent interest in Pétromont and Company, Limited Partnership and the write-down of abandoned engineering costs of \$16 million. EBIT in 2007 was favorably impacted by a gain on the sale of the low density polyethylene plant in Cubatao, Brazil, in the second quarter of 2007.

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Polypropylene sales increased 5 percent in 2007 as prices improved 10 percent and volume declined 5 percent. Polypropylene prices increased in 2007 in response to significantly higher propylene costs. Volume improved significantly in Europe where a tight supply/demand balance resulted in customers pre-buying product in anticipation of future price increases. Volume declined significantly in South Africa, resulting from the sale of the Company's polypropylene manufacturing plant in 2006. Despite higher prices, EBIT declined from 2006 due to higher propylene costs, higher operating costs and a restructuring charge of \$26 million related to the announced shutdown of the Company's polypropylene manufacturing facility at St. Charles Operations in Hahnville, Louisiana.

Polystyrene sales increased 15 percent in 2007 as prices improved 13 percent and volume increased 2 percent. Prices improved in all geographic areas, driven by significantly higher feedstock and energy costs. Volume declined significantly in North America reflecting lower demand due to high polystyrene prices and the closure of the Company's polystyrene manufacturing facility at Sarnia, Ontario, Canada in the fourth quarter of 2006. Volume was significantly higher in Asia Pacific due to the consolidation of the SAL Petrochemical (Zhangjiagang) Company Limited, after the Company acquired the remaining 50 percent interest in the joint venture in the first quarter of 2007. EBIT improved significantly from 2006 as higher prices and lower operating costs more than offset the increase in feedstock and energy costs. EBIT for 2006 was negatively impacted by a restructuring charge related to the shutdown of the polystyrene plant in Sarnia, Ontario, Canada.

#### **Basic Plastics Outlook for 2008**

Feedstock and energy costs are expected to remain high during 2008, providing support for the maintenance of prices although some margin deterioration is expected. Demand for all products within the segment is expected to remain solid during the first half of the year; however, additional global production capacity scheduled for the second half of the year will likely result in increased industry competition.

While feedstock costs are expected to be higher in 2008, polyethylene margins are expected to remain near 2007 levels during the first half of the year. Industry supply/demand balances are expected to remain consistent with 2007, but may be impacted by new industry production capacity in late 2008. Equity earnings are expected to be lower in 2008, due to slightly higher raw material and operating costs at EQUATE and higher feedstock costs at Siam Polyethylene. In addition, equity losses are expected from a new joint venture announced in the third quarter of 2007 by Dow and Crystalsev, to design and build a world-scale facility to manufacture polyethylene from sugar cane, as that joint venture incurs costs associated with the initial feasibility study.

Polypropylene demand is expected to be comparable to 2007 and remain strong during the first half of the year. Margins should improve in North America as the shutdown of the production facility at St. Charles Operations results in a shift in product mix to higher margin products. North America volumes are expected to be negatively impacted by reduced export demand and planned maintenance shutdowns at the Company's Seadrift and Oyster Creek facilities in Texas. In Europe, margins are expected to decline as significant new industry production capacity comes on-line in Europe and the Middle East during the second half of the year.

Within the polystyrene industry, demand growth is expected to remain low due to high prices and the volatility of raw materials costs, resulting in continued pressure on margins. The industry is expected to be highly competitive and industry restructuring will continue in 2008. The Company and Chevron Phillips Chemical Company LP signed a non-binding Memorandum of Understanding in the second quarter of 2007 relating to the formation of a joint venture involving assets from their respective polystyrene and styrene monomer businesses in the Americas. The new joint venture, subject to completion of definitive agreements and corporate and other approvals, is expected to begin operations in 2008.

In addition, in the fourth quarter of 2007, Dow and PIC announced plans to form a 50:50 joint venture to create a market-leading petrochemicals company. The global joint venture will include the manufacturing and marketing of polyethylene and polypropylene, among other products. The transaction is subject to the completion of definitive agreements, customary conditions and regulatory approvals, and is anticipated to close in late 2008.

#### **BASIC CHEMICALS**

Sales for Basic Chemicals were \$5,863 million in 2007, compared with \$5,560 million in 2006 and \$5,643 million in 2005. Overall, sales increased 5 percent as prices rose 6 percent, including the favorable impact of currency which accounted for about one-third of the price increase. The increase in price was primarily due to price improvements in ethylene oxide/ethylene glycol ("EO/EG") and solvents and intermediates, mainly driven by increases in feedstock and energy costs. Volume was down 1 percent in 2007 as volume growth in solvents and intermediates was more than offset by declines in EG and ethylene dichloride ("EDC"). Volume for EDC was down, principally in North America, due to the shutdown of the Company's EDC production facility in Fort Saskatchewan, Alberta, Canada in the fourth quarter of 2006. In 2006, volume was down 2 percent from 2005, due to plant closures in the chlor-vinyl business and the expiration of a customer contract for vinyl acetate monomer at the end of 2005; prices increased 1 percent versus 2005.

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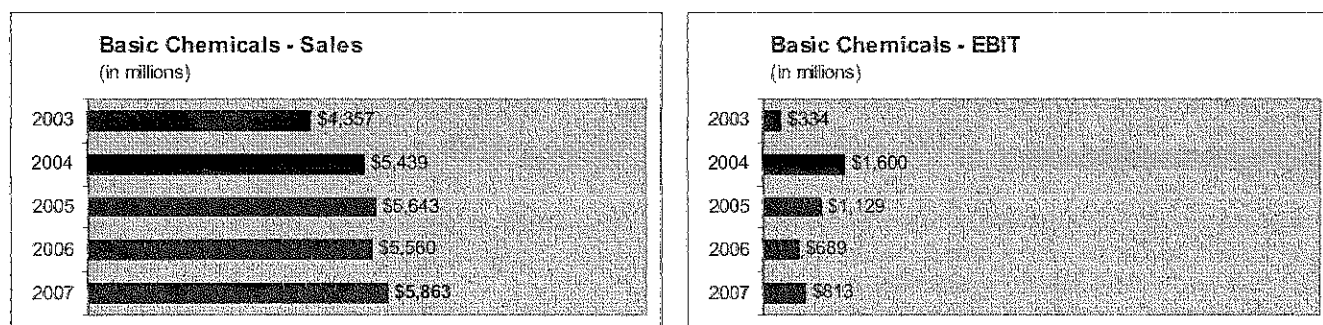
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**Segment Results – Continued**

Caustic soda sales were slightly higher in 2007 mainly due to increased volume. Vinyl chloride monomer (“VCM”) sales were essentially flat, as an increase in price was offset by a decrease in volume. The decline in volume was primarily due to maintenance outages.

EO/EG sales increased 6 percent in 2007, as a 16 percent increase in prices, principally due to higher feedstock and energy costs, more than offset a 10 percent decrease in volume. EG volume declined in 2007 due to lack of supply related to planned and unplanned outages on the U.S. Gulf Coast and the restructuring of certain supply agreements.

Solvents and intermediates sales were up 24 percent in 2007, with a 13 percent increase in volume and an 11 percent increase in price. The significant improvement in volume was related to solid demand for oxo products for coatings applications. Price improvement was driven by increases in feedstock and energy costs and other raw material cost increases.



EBIT for Basic Chemicals was \$813 million in 2007, compared with \$689 million in 2006 and \$1,129 million in 2005. Results for the segment in 2007 included restructuring charges of \$7 million related to the write-off of capital project spending. In 2006, results included restructuring charges totaling \$184 million related to the closure of the chlor-alkali plant at Fort Saskatchewan, Alberta, Canada, as well as a number of other small manufacturing facilities. Excluding these items from both periods, EBIT in 2007 declined from 2006 as sharply higher feedstock and energy costs and increases in other raw material costs more than offset the improvement in sales and higher equity earnings from EQUATE and MEGlobal. EBIT in 2006 declined from 2005 as significantly higher feedstock and energy costs and lower volume exceeded the benefits of improved plant operations and an increase in selling prices. Results for 2005 included a gain of \$41 million associated with the sale of EQUATE shares, as well as a restructuring charge of \$3 million related to the closure of a small manufacturing facility.

**Basic Chemicals Outlook for 2008**

Caustic soda prices are expected to remain flat in 2008, while volume is expected to decline due to three significant maintenance turnarounds planned for 2008.

VCM sales are expected to increase in 2008 due to an anticipated increase in volume in Europe and Latin America, and expected increased prices driven by higher hydrocarbon and energy costs. Average industry operating rates for EG in 2008 are expected to be consistent with the average operating rate for 2007. However, 2008 supply/demand balance is expected to be tight early in the year, and then weaken slowly as a result of new industry capacity scheduled to come on-line late in the year, compressing margins. Equity earnings are expected to remain strong in 2008. The EG joint venture with PIC is expected to start production in the second half of 2008, adding to equity earnings.

Solvents and intermediates' diversity of applications and increased geographic growth beyond North America and Asia Pacific will enable sustained demand for 2008. Sales volume is expected to grow slightly and margins should remain favorable despite continued high feedstock and energy costs, as no new industry capacity is scheduled to come on-line in 2008 in Asia Pacific and supply/demand is expected to remain balanced.

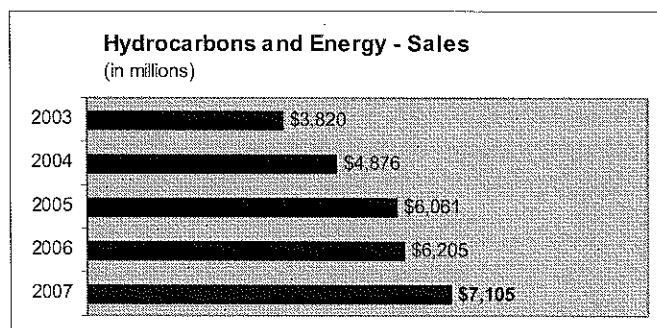
**HYDROCARBONS AND ENERGY**

Hydrocarbons and Energy sales were \$7,105 million in 2007, compared with \$6,205 million in 2006 and \$6,061 million in 2005. In 2007, prices were up 12 percent and volume increased 3 percent from 2006. Prices increased in 2007 due to the continued rise in crude oil and feedstock costs, and tight supply/demand balances for certain hydrocarbon products. Volume increased in 2007 primarily due to additional U.S. power sales resulting from the fourth quarter 2006 acquisition of the Plaquemine Cogeneration Facility in Louisiana. In 2006, prices increased 11 percent and volume decreased 9 percent from 2005. Compared with 2005, prices rose following the rise in crude oil and feedstock costs; volume declined due to outages, both scheduled and unscheduled, at a number of the Company's facilities.



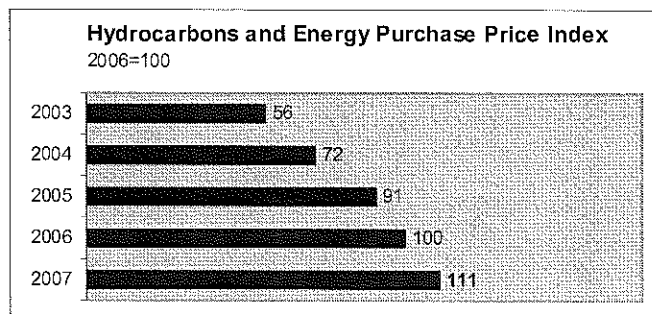
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The Hydrocarbons and Energy business transfers materials to Dow's derivative businesses at cost, which results in EBIT that is at or near breakeven. In 2007, EBIT was a loss of \$45 million due to restructuring charges of \$44 million recorded in the fourth quarter principally due to the shutdown of the Company's styrene monomer plant in Camaçari, Brazil, and the closure of storage wells in Fort Saskatchewan, Alberta, Canada (see Note B to the Consolidated Financial Statements). EBIT for the segment was at or near breakeven in 2006 and 2005.

The Company uses derivatives of crude oil and natural gas as feedstocks in its ethylene facilities, while natural gas is used as a fuel. The Company's cost of purchased feedstocks and energy rose approximately \$2.5 billion (11 percent) in 2007 due to increased prices. Crude oil prices increased for much of the year, and on average, 2007 prices were \$7 per barrel higher than 2006 levels. Conversely, on average, North American natural gas prices continued the downward trend, and were approximately \$0.13 per million Btu lower than in 2006, a decrease of approximately 2 percent.



#### **Hydrocarbons and Energy Outlook for 2008**

Crude oil and natural gas prices are expected to remain volatile and sensitive to external factors such as weather, economic growth/sub-prime credit effects and geopolitical tensions. The Company expects crude oil prices, on average, to be higher than 2007. Ethylene margins are expected to be somewhat lower in 2008 due to global capacity growth, particularly in the Middle East, exceeding global demand growth. Ethylene margins could improve compared to these expectations, with stronger than anticipated demand and delayed startups of new capacity within the industry. The economic outlook is uncertain, and a faltering economy and/or major spike in crude oil prices may contribute to a decline in margins and volume.

#### **UNALLOCATED AND OTHER**

Sales for Unallocated and Other, which primarily relate to the Company's insurance operations, were \$421 million in 2007, compared with \$316 million in 2006 and \$306 million in 2005. Included in the results for Unallocated and Other are:

- results of insurance company operations,
- gains and losses on sales of financial assets,
- stock-based compensation expense,
- changes in the allowance for doubtful receivables,
- expenses related to New Ventures,
- asbestos-related defense and resolution costs,
- foreign exchange hedging results, and
- certain overhead and other cost recovery variances not allocated to the operating segments

EBIT was a loss of \$897 million in 2007 compared with a loss of \$594 million in 2006 and a loss of \$1,048 million in 2005. EBIT for 2007 was reduced by 2007 restructuring charges totaling \$105 million, including employee-related severance

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**Segment Results – Continued**

expenses of \$86 million, pension curtailment costs and termination benefits of \$15 million and asset write-offs of \$4 million; franchise taxes of approximately \$80 million; and higher performance-based compensation expenses (including stock-based compensation) of approximately \$230 million. EBIT for 2007 was favorably impacted by improved results from insurance company operations, foreign exchange hedging results, and an \$8 million favorable adjustment to the restructuring charge recorded in the third quarter of 2006 for employee-related severance.

EBIT for 2006 was negatively impacted by restructuring charges of \$137 million (including employee-related severance expenses of \$73 million, pension curtailment costs and termination benefits of \$33 million, asset write-offs of \$18 million related to the shutdown of several small facilities around the world, and asbestos abatement of \$10 million and environmental remediation of \$3 million related to the shutdown of all production facilities at the Company's site in Sarnia, Ontario, Canada); performance-based stock compensation expenses of \$86 million; other severance costs of \$52 million; asbestos-related defense and resolution costs (net of insurance) of \$45 million; and expenses of \$59 million related to the Company's corporate branding program. EBIT for 2006 was favorably impacted by a \$177 million reduction in Union Carbide's asbestos-related liability for pending and future claims (excluding future defense and processing costs). EBIT for 2005 was negatively impacted by charges totaling \$48 million for restructuring activities in the fourth quarter of 2005 (including employee-related expenses of \$25 million, the write-off of an intangible asset of \$10 million and costs of \$13 million related to the closure of three small plants), severance costs of \$68 million, a cash donation of \$100 million to The Dow Chemical Company Foundation, performance-based stock compensation expenses of \$276 million, asbestos-related defense and resolution costs (net of insurance) of \$75 million, and a loss of \$31 million associated with the early extinguishment of debt.

See Note B to the Consolidated Financial Statements for information regarding the restructuring charges.

<b>Sales Price and Volume</b>									
Percent change from prior year	2007			2006			2005		
	Volume	Price	Total	Volume	Price	Total	Volume	Price	Total
Operating Segments:									
Performance Plastics	2%	6%	8%	7%	5%	12%	1%	18%	19%
Performance Chemicals	2	4	6	4	1	5	(2)	18	16
Agricultural Sciences	9	2	11	3	(2)	1	(3)	3	-
Basic Plastics	1	8	9	1	7	8	-	19	19
Basic Chemicals	(1)	6	5	(2)	1	(1)	(13)	17	4
Hydrocarbons and Energy	3	12	15	(9)	11	2	2	22	24
Total	2%	7%	9%	1%	5%	6%	(2)%	17%	15%
Geographic Areas:									
United States	(1)%	2%	1%	-	4%	4%	(3)%	19%	16%
Europe	5	12	17	1%	6	7	1	15	16
Rest of World	5	5	10	5	3	8	(5)	17	12
Total	2%	7%	9%	1%	5%	6%	(2)%	17%	15%

Price includes the impact of currency. Volume includes the impact of acquisitions and divestitures.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows, are summarized in the following table:

<b>Cash Flow Summary</b>			
In millions	2007	2006	2005
Cash provided by (used in):			
Operating activities	\$ 4,484	\$ 4,154	\$ 4,474
Investing activities	(2,858)	(1,907)	(1,096)
Financing activities	(2,728)	(3,302)	(2,508)
Effect of exchange rate changes on cash	81	6	(172)
Net increase (decrease) in cash and cash equivalents	\$(1,021)	\$(1,049)	\$ 698

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Despite lower earnings, cash provided by operating activities in 2007 increased versus 2006 principally due to a reduction in cash contributed to the Company's pension plans. Cash provided by operating activities decreased in 2006 versus 2005 primarily due to lower earnings, partially offset by lower pension contributions.

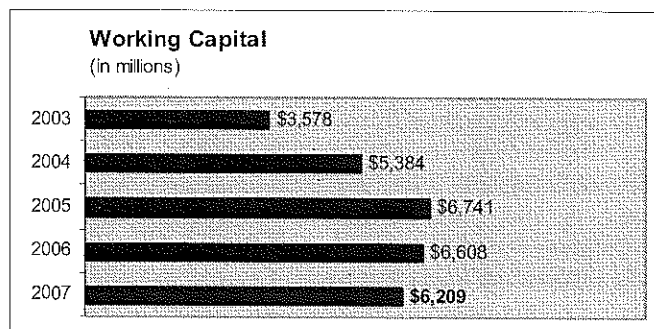
Cash used in investing activities in 2007 increased significantly compared with 2006 due to investments in consolidated companies (including \$603 million for Wolff Walsrode and \$151 million for Hyperlast Limited; see Notes C and G to the Consolidated Financial Statements), a \$300 million increase in capital expenditures, several acquisitions of agricultural businesses, partially offset by a lower usage of cash to purchase previously leased assets. Cash used in investing activities in 2006 increased significantly compared with 2005, as cash usage in 2005 was reduced by proceeds of \$867 million from the sale of Union Carbide's 50 percent indirect interest in UOP.

Cash used in financing activities in 2007 decreased compared with 2006 as the issuance of promissory notes under the Company's U.S. commercial paper program and higher proceeds from the sales of common stock (related to the exercise of stock options and the Employees' Stock Purchase Plan), more than offset increases in purchases of treasury stock (related to the Company's share repurchase programs) and dividends paid to shareholders. In May 2007, the quarterly dividend was increased 12 percent. Cash used in financing activities in 2006 increased compared with 2005 principally due to purchases of treasury stock (related to a share repurchase program authorized in July 2005) and an increase in dividends paid to stockholders. In February 2006, the quarterly dividend was increased 12 percent.

On August 29, 2006, the Board of Directors approved a plan (the "2006 Plan") to shut down a number of the Company's manufacturing facilities. These shutdowns are scheduled to be completed by the end of the first quarter of 2009. On December 3, 2007, the Board of Directors approved a restructuring plan (the "2007 Plan") that includes the shutdown of a number of assets and organizational changes within targeted functions. These restructuring activities are expected to be completed by the end of 2009. The restructuring activities related to both the 2006 Plan and the 2007 Plan are expected to result in additional cash expenditures of approximately \$338 million over the next few years related to severance costs, contract termination fees, asbestos abatement and environmental remediation (see Note B to the Consolidated Financial Statements). Dow expects to incur future costs related to its restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, to ensure competitiveness across its businesses and across geographic areas. Future costs are expected to include demolition costs related to the closed facilities, which will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities, and pension plan settlement costs. These costs cannot be reasonably estimated at this time.

**Working Capital at December 31**

In millions	2007	2006
Current assets	\$18,654	\$17,209
Current liabilities	12,445	10,601
Working capital	\$ 6,209	\$ 6,608
Current ratio	1.50:1	1.62:1

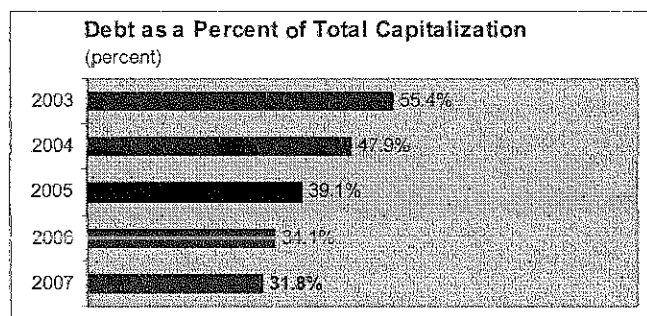


At December 31, 2007, trade receivables were \$5.9 billion, up from \$5.0 billion at December 31, 2006, consistent with the significant increase in sales. Days-sales-outstanding-in-receivables (excluding the impact of sales of receivables) was 38 days at December 31, 2007 compared with 39 days at December 31, 2006. At December 31, 2007, total inventories were \$6.9 billion, up from \$6.1 billion at December 31, 2006, principally due to the increase in feedstock and energy costs and higher plant operating rates. Days-sales-in-inventory at December 31, 2007 was 61 days versus 63 days at December 31, 2006.

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**Liquidity and Capital Resources – Continued**

<b>Total Debt at December 31</b>		
In millions	2007	2006
Notes payable	\$1,548	\$ 219
Long-term debt due within one year	586	1,291
Long-term debt	7,581	8,036
Total debt	\$9,715	\$9,546
Debt as a percent of total capitalization	31.8%	34.1%



As part of its ongoing financing activities, Dow has the ability to issue promissory notes under its U.S. and Euromarket commercial paper programs. At December 31, 2007, there was \$1.2 billion of commercial paper outstanding. In the event Dow has short-term liquidity needs and is unable to access these short-term markets for any reason, Dow has the ability to access liquidity through its committed and available \$3 billion 5-year revolving credit facility with various U.S. and foreign banks. This credit facility matures in April 2011.

At December 31, 2007, the Company had \$500 million of SEC-registered securities available for issuance under U.S. shelf registrations, Euro 5.0 billion (approximately \$7.4 billion) available for issuance under the Company's Euro Medium Term Note Program, as well as Japanese yen 50 billion (approximately \$447 million) of securities available for issuance under a shelf registration filed with the Tokyo Stock Exchange on July 31, 2006. In addition, as a well-known seasoned issuer, the Company filed an automatic shelf registration for an unspecified amount of mixed securities with the SEC on February 23, 2007. Under this shelf registration, the Company may offer common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and stock purchase units.

Dow's public debt instruments and documents for its private funding transactions contain, among other provisions, certain covenants and default provisions. At December 31, 2007, the Company was in compliance with all of these covenants and default provisions. For information on Dow's covenants and default provisions, see Note K to the Consolidated Financial Statements.

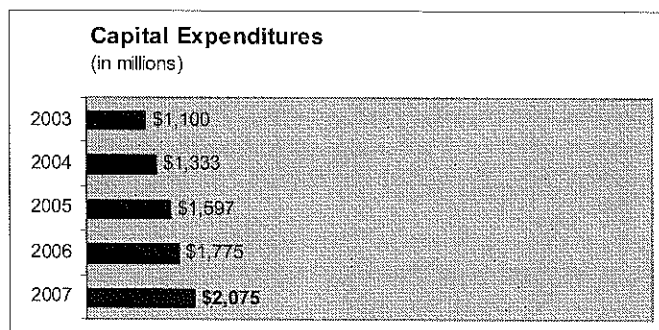
On July 14, 2005, the Board of Directors authorized the repurchase of up to 25 million shares of Dow common stock over the period ended on December 31, 2007 (the "2005 Program"). In 2005 and 2006, the Company purchased 18,798,407 shares of the Company's common stock under the 2005 Program. During the first quarter of 2007, the Company purchased the remaining 6,201,593 shares under the 2005 Program, bringing the program to a close.

On October 26, 2006, the Company announced that its Board of Directors had approved a new share buy-back program, authorizing up to \$2 billion to be spent on the repurchase of the Company's common stock (the "2006 Program"). Purchases under the 2006 Program began in March 2007, following completion of the 2005 Program. In 2007, the Company purchased 26,225,207 shares of the Company's common stock under the 2006 Program. For additional information, see PART II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

**Capital Expenditures**

Capital spending for the year was \$2,075 million, up 17 percent from \$1,775 million in 2006. Capital spending was \$1,597 million in 2005. In 2007, approximately 31 percent of the Company's capital expenditures were directed toward additional capacity for new and existing products, compared with 33 percent in 2006. In 2007, approximately 23 percent was committed to projects related to environmental protection, safety, loss prevention and industrial hygiene compared with 24 percent in 2006. The remaining capital was utilized to maintain the Company's existing asset base, including projects related to productivity improvements, energy conservation and facilities support.

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Major projects underway during 2007 included the construction of a regional headquarters facility in Shanghai, China; Dow Automotive production facilities in Midland, Michigan, and Schkopau, Germany, for glass bonding and primer products; a facility for the production of octene in Tarragona, Spain; a multi-product facility for the production of isopropanolamines in Plaquemine, Louisiana; a new train for the production of METHOCEL<sup>TM</sup> cellulose ethers in Midland, Michigan; a new polyols plant in Terneuzen, The Netherlands; and the expansion of ethyleneamines and ethanolamines production facilities in Hahnville, Louisiana. Additional major projects included upgrades to isopropanol production facilities in Texas City, Texas; and the replacement of furnaces used in the production of ethylene and several projects to upgrade chlor-alkali production facilities in Freeport, Texas. Because the Company designs and builds most of its capital projects in-house, it had no material capital commitments other than for the purchase of materials from fabricators and construction labor.

**Contractual Obligations**

The following tables summarize the Company's contractual obligations, commercial commitments and expected cash requirements for interest at December 31, 2007. Additional information related to these obligations can be found in Notes J, K, L, M and R to the Consolidated Financial Statements.

In millions	Payments Due by Year						Total
	2008	2009	2010	2011	2012	2013 and beyond	
Long-term debt – current and noncurrent	\$ 586	\$ 777	\$1,065	\$1,548	\$1,006	\$ 3,185	\$ 8,167
Deferred income tax liabilities – noncurrent (1)	-	-	-	-	-	854	854
Pension and other postretirement benefits	279	236	240	240	242	1,777	3,014
Other noncurrent obligations (2)	294	250	172	110	60	2,988	3,874
FIN No. 48 obligations, including interest and penalties (3)	383	-	-	-	-	661	1,044
Other contractual obligations:							
Minimum operating lease commitments	231	200	171	117	93	441	1,253
Purchase commitments – take or pay and throughput obligations	2,136	1,845	1,578	1,117	941	5,212	12,829
Purchase commitments – other (4)	152	26	6	3	3	44	234
Expected cash requirements for interest	504	472	421	359	276	4,223	6,255
<b>Total</b>	<b>\$4,565</b>	<b>\$3,806</b>	<b>\$3,653</b>	<b>\$3,494</b>	<b>\$2,621</b>	<b>\$19,385</b>	<b>\$37,524</b>

(1) Deferred tax liabilities may vary according to changes in tax laws, tax rates and the operating results of the Company. As a result, it is impractical to determine whether there will be a cash impact to an individual year. All noncurrent deferred income tax liabilities have been reflected in "2013 and beyond."

(2) Annual payments to resolve asbestos litigation will vary based on changes in defense strategies, changes in state and national law, and claims filing and resolution rates. As a result, it is impractical to determine the anticipated payments in any given year. Therefore, the majority of the noncurrent asbestos-related liability of \$1,001 million has been reflected in "2013 and beyond."

(3) Due to uncertainties in the timing of the effective settlement of tax positions with the respective taxing authorities, the Company is unable to determine the timing of payments related to its FIN No. 48 noncurrent obligations, including interest and penalties. These amounts are therefore reflected in "2013 and beyond."

(4) Includes outstanding purchase orders and other commitments greater than \$1 million, obtained through a survey of the Company.

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**Liquidity and Capital Resources – Continued**

**Off-Balance Sheet Arrangements**

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specific triggering events occur. Information regarding the Company's outstanding guarantees at December 31, 2007 is disclosed in Note J to the Consolidated Financial Statements.

The Company leases an ethylene facility in The Netherlands from an owner trust that is a variable interest entity ("VIE"). Dow is not the primary beneficiary of the owner trust and, therefore, is not required to consolidate the owner trust. Additional information regarding this VIE can be found in Note M to the Consolidated Financial Statements.

**Dividends**

On February 14, 2008 the Board of Directors announced a quarterly dividend of \$0.42 per share, payable April 30, 2008, to stockholders of record on March 31, 2008. Since 1912, the Company has paid a cash dividend every quarter and, in each instance, Dow has maintained or increased the amount of the dividend, adjusted for stock splits. During that 95-year period, Dow has increased the amount of the quarterly dividend 47 times (approximately 12 percent of the time) and maintained the amount of the quarterly dividend approximately 88 percent of the time. The Company declared dividends of \$1.635 per share in 2007, \$1.50 per share in 2006 and \$1.34 per share in 2005.

**Outlook for 2008**

In 2007, the Company continued to strengthen its financial position. Despite the fifth consecutive year of double-digit percentage increases in feedstock and energy costs, coupled with softening economic conditions in the United States, the diversity of Dow's business and geographic portfolio, as well as record financial performance by its joint ventures, resulted in solid net income for the Company. Working capital was reduced by \$399 million, despite higher sales levels, as the Company reduced its working capital ratios. Capital expenditures were \$2.1 billion, slightly higher than depreciation. These actions enabled the Company to further reduce its ratio of debt to total capitalization to 31.8 percent, down from 59.2 percent at the end of 2002. The Company does not intend to reduce this ratio further in 2008.

In 2008, the Company will continue to implement its strategy to improve long-term earnings growth and earnings consistency. While the economic outlook is unclear, primarily in the United States, the Company expects continued economic growth in the rest of the world, particularly in emerging geographies. Volatility in feedstock and energy costs is expected to continue, adding uncertainty to the outlook. The Company will maintain its financial discipline while increasing its investment in targeted growth opportunities, principally in its Performance businesses and in emerging geographies. Capital expenditures are expected to increase in 2008, but should remain close to the level of depreciation. These expenditures are planned at a level sufficient to maintain the safety and reliability of the Company's facilities while modestly increasing capacity in selected high-value businesses.

Approximately \$1.7 billion in debt will become due in 2008, including approximately \$1.2 billion of commercial paper. While the Company expects to have sufficient cash to meet its scheduled debt obligations in 2008, the Company intends to repay this debt with the issuance of new debt.

Dow and PIC announced plans in December 2007 to form a 50:50 petrochemicals joint venture. To form the new joint venture, Dow will sell to PIC a 50 percent interest in the business assets included in the transaction for approximately \$9.5 billion (pretax). In turn, PIC and Dow will each contribute their assets into the joint venture. The transaction is subject to the completion of definitive agreements, customary conditions and regulatory approvals, and is anticipated to close in late 2008.

**OTHER MATTERS**

**Recent Accounting Pronouncements**

See Note A to the Consolidated Financial Statements for a summary of significant accounting policies and recent accounting pronouncements.

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**Critical Accounting Policies**

The preparation of financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note A to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Following are the Company's critical accounting policies impacted by judgments, assumptions and estimates:

***Litigation***

The Company is subject to legal proceedings and claims arising out of the normal course of business. The Company routinely assesses the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after thoughtful analysis of each known issue and an actuarial analysis of historical claims experience for incurred but not reported matters. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers. These policies provide coverage that is utilized to minimize the impact, if any, of the legal proceedings. The required reserves may change in the future due to new developments in each matter. For further discussion, see Note J to the Consolidated Financial Statements.

***Asbestos-Related Matters of Union Carbide Corporation***

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, and a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"), are and have been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. Based on a study completed by Analysis, Research & Planning Corporation ("ARPC") in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Union Carbide also increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion at December 31, 2002. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide's historical asbestos claim and resolution activity each November since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2006, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its most recent study from January 2005. In response to that request, ARPC reviewed and analyzed data through October 31, 2006 and concluded that the experience from 2004 through 2006 was sufficient for the purpose of forecasting future filings and values of asbestos claims filed against UCC and Amchem, and could be used in place of previous assumptions to update the January 2005 study. The resulting study, completed by ARPC in December 2006, stated that the undiscounted cost of resolving pending and future asbestos-related claims against UCC and Amchem, excluding future defense and processing costs, through 2021 was estimated to be between approximately \$1.2 billion and \$1.5 billion. As in its January 2003 and January 2005 studies, ARPC provided estimates for a longer period of time in its December 2006 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

Based on ARPC's December 2006 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims \$177 million to \$1.2 billion at December 31, 2006 which covered the 15-year period ending in 2021, excluding future defense and processing costs.

Following the completion of the review by ARPC in December 2007, as well as Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide determined that no change to the related liability for pending and future claims was required. At December 31, 2007, Union Carbide's asbestos-related liability for pending and future claims was \$1.1 billion.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$467 million at December 31, 2007 and \$495 million at December 31, 2006. In addition, Union Carbide had receivables of \$271 million at December 31, 2007 and \$300 million at December 31, 2006 for insurance recoveries for defense and resolution costs.

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

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**Critical Accounting Policies – Continued**

For additional information, see Legal Proceedings, Asbestos-Related Matters of Union Carbide Corporation in Management's Discussion and Analysis of Financial Condition and Results of Operation, and Note J to the Consolidated Financial Statements.

***Environmental Matters***

The Company determines the costs of environmental remediation of its facilities and formerly owned facilities based on evaluations of current law and existing technologies. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies. The recorded liabilities are adjusted periodically as remediation efforts progress, or as additional technical or legal information becomes available. In the case of landfills and other active waste management facilities, Dow recognizes the costs over the useful life of the facility. At December 31, 2007, the Company had accrued obligations of \$322 million for environmental remediation and restoration costs, including \$28 million for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. The Company had accrued obligations of \$347 million at December 31, 2006, for environmental remediation and restoration costs, including \$31 million for the remediation of Superfund sites. For further discussion, see Environmental Matters in Management's Discussion and Analysis of Financial Condition and Results of Operation and Notes A and J to the Consolidated Financial Statements.

***Pension and Other Postretirement Benefits***

The amounts recognized in the consolidated financial statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2007, rate of increase in future compensation levels, mortality rates and health care cost trend rates. These assumptions are updated annually and are disclosed in Note L to the Consolidated Financial Statements. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense recognized and obligations recorded in future periods. The U.S. pension plans represent approximately 74 percent of the Company's pension plan assets and 68 percent of the pension obligations.

The following information relates to the U.S. plans only; a similar approach is used for the Company's non-U.S. plans.

The Company determined the expected long-term rate of return on assets by performing a detailed analysis of historical and expected returns based on the strategic asset allocation approved by the Board of Directors and the underlying return fundamentals of each asset class. The Company's historical experience with the pension fund asset performance was also considered. The long-term rate of return assumption used for determining net periodic pension expense for 2007 was 8.79 percent. This assumption was changed to 8.50 percent for determining 2008 net periodic pension expense. The Company's historical actual return averaged 7.94 percent for the ten-year period ending December 31, 2007. The actual rate of return in 2007 was 13.1 percent. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the population of participants in the Company's pension plans.

The discount rates utilized to measure the pension and other postretirement obligations of the U.S. qualified plans are based on the yield on high-quality fixed income investments at the measurement date. Future expected actuarially determined cash flows of Dow's major U.S. plans are matched against the Citigroup Pension Discount Curve (Above Median) to arrive at a single discount rate by plan. The resulting discount rate increased from 5.98 percent at December 31, 2006 to 6.75 percent at December 31, 2007.

The value of the U.S. qualified plan assets increased from \$11.2 billion at December 31, 2006 to \$11.9 billion at December 31, 2007. The Company made contributions of \$15 million to the U.S. qualified plans in 2007. The favorable impact of asset returns combined with an increase in the assumed discount rate, resulted in an improvement in the funded status of \$1.3 billion from December 31, 2006 to December 31, 2007. At December 31, 2007, the U.S. qualified plans were overfunded on a projected benefit obligation basis by \$1.6 billion.

For 2008, the Company maintained its assumption of 4.5 percent for the long-term rate of increase in compensation levels for the principal U.S. qualified plans. Since 2002, the Company has used a generational mortality table to determine the duration of its pension and other postretirement obligations.



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The following discussion relates to all of the Company's pension plans.

The Company bases the determination of pension expense or income on a market-related valuation of plan assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose represent the difference between the expected return calculated using the market-related value of plan assets and the actual return based on the market value of plan assets. Since the market-related value of plan assets recognizes gains or losses over a five-year period, the future value of plan assets will be impacted when previously deferred gains or losses are recorded. Over the life of the plan, both gains and losses have been recognized and amortized. At December 31, 2007, net gains of \$522 million remain to be recognized in the calculation of the market-related value of plan assets. These net gains will result in decreases in future pension expense as they are recognized in the market-related value of assets and are a component of the total net loss of \$1,065 million shown under "Amounts recognized in AOCI - pretax" in the table entitled "Change in Projected Benefit Obligations, Plan Assets and Funded Status of all Significant Plans" included in Note L to the Consolidated Financial Statements. The other \$1,587 million of net losses represents cumulative changes in plan experience and actuarial assumptions. The net increase in the market-related value of assets due to the recognition of prior gains and losses is presented in the following table:

<b>Net Increase in Market-Related Asset Value Due to Recognition of Prior Asset Gains and Losses</b>	
In millions	
2008	\$174
2009	154
2010	142
2011	52
Total	\$522

Based on the revised pension assumptions and changes in the market-related value of assets due to the recognition of prior asset gains, the Company expects to reduce expense by approximately \$167 million for all pension and other postretirement benefits in 2008 compared with 2007.

A 25 basis point increase or decrease in the long-term return on assets assumption would change the Company's total pension expense for 2008 by approximately \$38 million. A 25 basis point increase in the discount rate assumption would lower the Company's total pension expense for 2008 by approximately \$15 million. A 25 basis point decrease in the discount rate would increase pension expense by approximately \$29 million. A 25 basis point change in the long-term return and discount rate assumptions would have an immaterial impact on the other postretirement benefit expense for 2008.

#### ***Income Taxes***

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Based on the evaluation of available evidence, both positive and negative, the Company recognizes future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, to the extent that realizing these benefits is considered to be more likely than not.

At December 31, 2007, the Company had a net deferred tax asset balance of \$1.5 billion, after valuation allowances of \$323 million.

In evaluating the ability to realize the deferred tax assets, the Company relies principally on forecasted taxable income using historical and projected future operating results, the reversal of existing temporary differences and the availability of tax planning strategies.

At December 31, 2007, the Company had deferred tax assets for tax loss and tax credit carryforwards of \$2.1 billion, \$41 million of which is subject to expiration in the years 2008-2012. In order to realize these deferred tax assets for tax loss and tax credit carryforwards, the Company needs taxable income of approximately \$8.1 billion across multiple jurisdictions. The taxable income needed to realize the deferred tax assets for tax loss and tax credit carryforwards that are subject to expiration between 2008-2012 is approximately \$372 million.

The Company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. At December 31, 2007, the Company had uncertain tax positions for both domestic and foreign issues of \$892 million.

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**Critical Accounting Policies – Continued**

The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. At December 31, 2007, the Company had a non-income tax contingency reserve for both domestic and foreign issues of \$226 million.

For additional information, see Notes A and R to the Consolidated Financial Statements.

**Environmental Matters**

*Environmental Policies*

Dow is committed to world-class environmental, health and safety (“EH&S”) performance, as demonstrated by a long-standing commitment to Responsible Care®, as well as a strong commitment to achieve the Company’s 2015 Sustainability Goals – goals that set the standard for sustainability in the chemical industry by focusing on improvements in Dow’s local corporate citizenship and product stewardship, and by actively pursuing methods to reduce the Company’s environmental impact.

To meet the Company’s public commitments, as well as the stringent laws and government regulations related to environmental protection and remediation to which its global operations are subject, Dow has well-defined policies, requirements and management systems. Dow’s EH&S Management System (“EMS”) defines the “who, what, when and how” needed for the businesses to achieve the Company’s policies, requirements, performance objectives, leadership expectations and public commitments. EMS is designed to minimize the long-term cost of environmental protection and to comply with these laws and regulations. To ensure effective utilization, the EMS is integrated into a company-wide management system for EH&S, Operations, Quality and Human Resources.

It is Dow’s policy to adhere to a waste management hierarchy that minimizes the impact of wastes and emissions on the environment. First, Dow works to eliminate or minimize the generation of waste and emissions at the source through research, process design, plant operations and maintenance. Second, Dow finds ways to reuse and recycle materials. Finally, unusable or non-recyclable hazardous waste is treated before disposal to eliminate or reduce the hazardous nature and volume of the waste. Treatment may include destruction by chemical, physical, biological or thermal means. Disposal of waste materials in landfills is considered only after all other options have been thoroughly evaluated. Dow has specific requirements for waste that is transferred to non-Dow facilities, including the periodic auditing of these facilities. Dow believes third-party verification is a cornerstone of world-class EH&S performance and building public trust. As such, numerous Dow sites in Europe, Latin America, Australia and North America have received third-party verification of Dow’s compliance with Responsible Care® and with outside specifications such as ISO-14001. During 2007, five U.S. sites were audited by Lloyd’s Register Quality Assurance, and found to be in conformance with Responsible Care® Management System requirements.

Dow’s EH&S policies helped the Company achieve excellent safety performance in 2007. Dow’s personal injury and illness OSHA (Occupational Safety and Health Administration) rate and Injury and Illness Severity rate were both on target with the reductions necessary to achieve the 2015 goals, and the lowest in the Company’s history. Tragically, one fatality occurred in 2007, when a Dow employee, traveling on behalf of the Company, was a passenger on a commercial airliner that crashed upon landing in Sao Paulo, Brazil.

Reductions in leaks, breaks and spills in 2007 also exceeded the improvements necessary to reach the 2015 goals, and were the lowest recorded in the Company’s history. Improvement in environmental compliance remains a top management priority, with initiatives underway to further improve compliance in 2008.

Detailed information on Dow’s performance regarding environmental matters and goals can be found online on Dow’s Environment, Health and Safety webpage at [www.dow.com](http://www.dow.com).

*Chemical Security*

Growing public and political attention has been placed on protecting critical infrastructure, including the chemical industry, from security threats. Terrorist attacks and natural disasters have increased concern about the security of chemical production and distribution. In response to the increasing call by many, including Dow and the American Chemistry Council, for uniform performance-based national standards for securing the U.S. chemical industry, U.S. Chemical Plant Security legislation was passed in 2006, and the Department of Homeland Security (“DHS”) is now implementing the regulations known as the Chemical Facility Anti-Terrorism Standards. Further, the U.S. Transportation Security Administration (“TSA”) and the U.S. Department of Transportation are expected to finalize regulations covering the rail transportation of chemicals in the early part of 2008 as required by the 9/11 Commission Act of 2007.

The focus on security is not new to Dow. A comprehensive, multi-level security plan for the Company has been maintained since 1988. This plan was activated in response to the events of 9/11. Dow continues to improve its security plans, placing emphasis on the safety of Dow communities and people by being prepared to meet risks at any level and to address

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both internal and external identifiable risks. Dow's security plans also are developed to avert interruptions of normal business work operations which could materially and adversely affect the Company's results of operations, liquidity and financial condition.

Dow played a key role in the development and implementation of the American Chemistry Council's Responsible Care® Security Code that requires all aspects of security – including facility, transportation, and cyberspace – be assessed and gaps addressed. Through the Company's global implementation of the Security Code, Dow has permanently heightened the level of security – not just in the United States, but worldwide. Dow employs approximately 500 employees and contractors in its Emergency Services and Security department worldwide. Dow committed over \$100 million in capital over a ten-year period for plant security, supply chain and cyberspace security enhancements, regulatory compliance and response capabilities as well as other components of Dow's security program. These costs are not considered material to the Company's consolidated financial statements.

Through the implementation of the Responsible Care® Security Code, including voluntary security enhancements and upgrades made since 2002, Dow is well positioned to comply with the new U.S. chemical facility regulations and other regulatory frameworks. In addition, Dow was the first chemical company to receive SAFETY Act coverage in 2007 from the DHS for the Company's Coast Guard covered sites (under the Maritime Transportation Security Act of 2002). This unprecedented certification helps validate Dow's efforts and provides additional liability coverage in the event of a terrorist attack.

Dow continues to work collaboratively across the supply chain on Responsible Care®, Supply Chain Design, Emergency Preparedness, Shipment Visibility and Hazmat Routing. Dow is a leader in the implementation of advanced track and trace technologies. The breakthrough Next Generation Rail Tank Car project with Union Pacific Railroad and Union Tank Car Company continues to make progress with cooperation agreements signed with Transport Canada, The Federal Railroad Administration, and the TSA. Further, Dow's Distribution Risk Review process that has been in place for decades was expanded to address potential threats in all modes of transportation across the Company's supply chain. To reduce vulnerabilities, Dow maintains security measures that meet or exceed regulatory and industry security standards in all areas in which the Company operates.

Dow continually works to strengthen partnerships with local responders, law enforcement, and security agencies, and to enhance confidence in the integrity of the Company's security and risk management program, as well as strengthen its preparedness and response capabilities. Dow also works closely with its supply chain partners and strives to educate lawmakers, regulators and communities about the Company's resolve and actions to date which are mitigating security and crisis threats.

#### *Climate Change*

There is a growing political and scientific consensus that emissions of greenhouse gases ("GHG") due to human activities continue to alter the composition of the global atmosphere in ways that are affecting the climate. Political debates continue about how to implement fair and effective GHG mitigation efforts. Dow takes global climate change very seriously and is not waiting for the resolution of the debate. Dow is committed to reducing its GHG intensity (pounds of GHG per pound of product), developing climate-friendly products and processes and, over the longer term, implementing technology solutions to achieve even greater climate change improvements. Since 1990, Dow has reduced its absolute GHG emissions by more than 20 percent, a more rapid reduction than required by Kyoto Protocol targets, and has achieved a 22 percent improvement in energy intensity (the amount of energy required to produce one pound of product). In doing so, it has avoided consuming more than 900 trillion Btus, a savings that when converted to electricity would be more than sufficient to supply the electricity consumed by residential users in the State of California for one year. This trend could reverse, however, depending on business growth, capacity utilization and the pace of new technology development.

Dow also contributes to the climate change solution by producing products that help others reduce GHG emissions, such as lightweight plastics for automobiles and insulation for energy efficient homes and appliances. Dow has demonstrated its commitment to technological innovation and conservation through its exploration of renewable energy sources. For example, in 2007, Dow and Crystalsev, one of Brazil's largest ethanol companies, signed a Memorandum of Understanding which calls for plans to design and build a world-scale facility to manufacture polyethylene from sugar cane. In the United States, Dow Building Solutions announced plans to build a 505 kilowatt solar farm at Dow's Pittsburg, California site. This project will be the largest solar installation in Dow and the first commercial pilot for the Company, providing the energy equivalent to power 400 homes.

Gains made toward Dow's Energy Efficiency goal will directly impact progress in meeting its 2015 Climate Change goal, which is to reduce GHG intensity by 2.5 percent a year per pound of product, from a 2005 baseline. Dow is studying the lifecycle impact of its products on climate change and additional global projects that could offset the Company's overall GHG emissions through carbon dioxide reduction.

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**Environmental Matters – Continued**

A new Energy & Climate Change Policy and Issue Management Team was formed in 2007 to help establish Dow as a leader in providing energy and climate change solutions. The team is also tasked with developing and implementing a comprehensive climate change strategy and to advocate for an international framework that establishes clear pathways to help slow, stop and reverse the rate of GHG emissions.

*Environmental Remediation*

Dow accrues the costs of remediation of its facilities and formerly owned facilities based on current law and existing technologies. The nature of such remediation includes, for example, the management of soil and groundwater contamination and the closure of contaminated landfills and other waste management facilities. In the case of landfills and other active waste management facilities, Dow recognizes the costs over the useful life of the facility. The accounting policies adopted to properly reflect the monetary impacts of environmental matters are discussed in Note A to the Consolidated Financial Statements. To assess the impact on the financial statements, environmental experts review currently available facts to evaluate the probability and scope of potential liabilities. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies. These liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information become available. Dow had an accrued liability of \$294 million at December 31, 2007, related to the remediation of current or former Dow-owned sites. The liability related to remediation at December 31, 2006 was \$316 million.

In addition to current and former Dow-owned sites, under the Federal Comprehensive Environmental Response, Compensation and Liability Act and equivalent state laws (hereafter referred to collectively as "Superfund Law"), Dow is liable for remediation of other hazardous waste sites where Dow allegedly disposed of, or arranged for the treatment or disposal of, hazardous substances. Dow readily cooperates in the remediation of these sites where the Company's liability is clear, thereby minimizing legal and administrative costs. Because Superfund Law imposes joint and several liability upon each party at a site, Dow has evaluated its potential liability in light of the number of other companies that also have been named potentially responsible parties ("PRPs") at each site, the estimated apportionment of costs among all PRPs, and the financial ability and commitment of each to pay its expected share. The Company's remaining liability for the remediation of Superfund sites at December 31, 2007 was \$28 million (\$31 million at December 31, 2006). The Company has not recorded any third-party recovery related to these sites as a receivable.

Information regarding environmental sites is provided below:

<b>Environmental Sites</b>	<i>Dow-owned Sites (1)</i>		<i>Superfund Sites (2)</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Number of sites at January 1	251	245	64	72
Sites added during year	3	8	31	8
Sites closed during year	(3)	(2)	(1)	(16)
Number of sites at December 31	251	251	94	64

(1) Dow-owned sites are sites currently or formerly owned by Dow, where remediation obligations are imposed (in the United States) by the Resource Conservation Recovery Act or analogous state law. 153 of these sites were formerly owned by Dowell Schlumberger, Inc., a group of companies in which the Company previously owned a 50 percent interest. Dow sold its interest in Dowell Schlumberger in 1992.

(2) Superfund sites are sites, including sites not owned by Dow, where remediation obligations are imposed by Superfund Law.

The Company's manufacturing sites in Freeport, Texas, and Midland, Michigan, are the sites for which the Company has the largest environmental remediation accruals. From the start of operations at the Freeport site in the 1940s until the mid-1970s, manufacturing wastes were typically placed in on-site pits and landfills. The resulting soil and groundwater contamination is being assessed and remediated under the provisions of the Resource Conservation Recovery Act ("RCRA"), in concert with the state of Texas. At December 31, 2007, the Company had an accrual of \$37 million (\$47 million at December 31, 2006) related to environmental remediation at the Freeport manufacturing site. In 2007, \$6 million (\$8 million in 2006) was spent on environmental remediation at the Freeport site.

Similar to the Freeport site, in the early days of operations at the Midland site, manufacturing wastes were usually disposed of on-site, resulting in soil and groundwater contamination, which has been contained and managed on-site under a series of RCRA permits and regulatory agreements. The most recent Hazardous Waste Operating License for the Midland site, issued in 2003, also included provisions for the Company to conduct an investigation to determine the nature and extent of off-site contamination from historic Midland site operations. The scope of the investigation includes Midland area soils;

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Tittabawassee and Saginaw River sediment and floodplain soils; and Saginaw Bay, and requires the Company to conduct interim response actions. See Note J to the Consolidated Financial Statements for additional information. At December 31, 2007, the Company had an accrual of \$36 million (\$41 million at December 31, 2006) for environmental remediation and investigation associated with the Midland site. In 2007, the Company spent \$52 million (\$20 million in 2006) on environmental remediation at the Midland site.

In total, the Company's accrued liability for probable environmental remediation and restoration costs was \$322 million at December 31, 2007, compared with \$347 million at the end of 2006. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. It is the opinion of the Company's management that the possibility is remote that costs in excess of those disclosed will have a material adverse impact on the Company's consolidated financial statements.

The amounts charged to income on a pretax basis related to environmental remediation totaled \$92 million in 2007, \$125 million in 2006 and \$79 million in 2005. Capital expenditures for environmental protection were \$189 million in 2007, \$193 million in 2006 and \$150 million in 2005.

### **Asbestos-Related Matters of Union Carbide Corporation**

#### *Introduction*

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide's premises, and Union Carbide's responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide's products.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

The table below provides information regarding asbestos-related claims filed against Union Carbide and Amchem:

	2007	2006	2005
Claims unresolved at January 1	111,887	146,325	203,416
Claims filed	10,157	16,386	34,394
Claims settled, dismissed or otherwise resolved	(31,722)	(50,824)	(91,485)
Claims unresolved at December 31	90,322	111,887	146,325
Claimants with claims against both UCC and Amchem	28,937	38,529	48,647
Individual claimants at December 31	61,385	73,358	97,678

Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or even thousands of claimants. As a result, the damages alleged are not expressly identified as to Union Carbide, Amchem or any other particular defendant, even when specific damages are alleged with respect to a specific disease or injury. In fact, there are no personal injury cases in which only Union Carbide and/or Amchem are the sole named defendants. For these reasons and based upon Union Carbide's litigation and settlement experience, Union Carbide does not consider the damages alleged against Union Carbide and Amchem to be a meaningful factor in its determination of any potential asbestos liability.

#### *Estimating the Liability*

Based on a study completed by Analysis, Research & Planning Corporation ("ARPC") in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide's historical asbestos claim and resolution activity each November since 2004 to determine the appropriateness of updating the most recent ARPC study.

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**Asbestos-Related Matters of Union Carbide Corporation – Continued**

In November 2006, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its most recent study from January 2005. In response to that request, ARPC reviewed and analyzed data through October 31, 2006 and concluded that the experience from 2004 through 2006 was sufficient for the purpose of forecasting future filings and values of asbestos claims filed against Union Carbide and Amchem, and could be used in place of previous assumptions to update the January 2005 study. The resulting study, completed by ARPC in December 2006, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2021 was estimated to be between approximately \$1.2 billion and \$1.5 billion. As in its January 2003 and January 2005 studies, ARPC provided estimates for a longer period of time in its December 2006 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

Based on ARPC's December 2006 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to \$1.2 billion at December 31, 2006 which covered the 15-year period ending in 2021 (excluding future defense and processing costs). The reduction was \$177 million and was shown as "Asbestos-related credit" in the consolidated statements of income.

In November 2007, Union Carbide requested ARPC to review Union Carbide's 2007 asbestos claim and resolution activity and determine the appropriateness of updating its 2006 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2007. In December 2007, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required. At December 31, 2007, Union Carbide's asbestos-related liability for pending and future claims was \$1.1 billion.

At December 31, 2007, approximately 31 percent of the recorded liability related to pending claims and approximately 69 percent related to future claims. At December 31, 2006, approximately 25 percent of the recorded liability related to pending claims and approximately 75 percent related to future claims.

*Defense and Resolution Costs*

The following table provides information regarding defense and resolution costs related to asbestos-related claims filed against Union Carbide and Amchem:

Defense and Resolution Costs				Aggregate Costs to Date as of
In millions	2007	2006	2005	Dec. 31, 2007
Defense costs	\$84	\$62	\$75	\$565
Resolution costs	\$88	\$117	\$139	\$1,270

The average resolution payment per asbestos claimant and the rate of new claim filings has fluctuated both up and down since the beginning of 2001. Union Carbide's management expects such fluctuations to continue in the future based upon a number of factors, including the number and type of claims settled in a particular period, the jurisdictions in which such claims arose, and the extent to which any proposed legislative reform related to asbestos litigation is being considered.

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$84 million in 2007, \$45 million in 2006 and \$75 million in 2005, and was reflected in "Cost of sales."

*Insurance Receivables*

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide's insurance policies and to resolve issues that the insurance carriers may raise.

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In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds. This lawsuit was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Although the lawsuit is continuing, through the end of 2007, Union Carbide has reached settlements with several of the carriers involved in this litigation.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$467 million at December 31, 2007 and \$495 million at December 31, 2006. At December 31, 2007 and December 31, 2006, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

<b>Receivables for Costs Submitted to Insurance Carriers at December 31</b>		
In millions	2007	2006
Receivables for defense costs	\$ 18	\$ 34
Receivables for resolution costs	253	266
<b>Total</b>	<b>\$271</b>	<b>\$300</b>

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

*Summary*

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material adverse impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material adverse impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

**The Dow Chemical Company and Subsidiaries**  
**PART II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Dow's business operations give rise to market risk exposure due to changes in foreign exchange rates, interest rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate the adverse effects of financial market risk. Derivatives used for this purpose are designated as hedges per SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," where appropriate. A secondary objective is to add value by creating additional non-specific exposure within established limits and policies; derivatives used for this purpose are not designated as hedges per SFAS No. 133. The potential impact of creating such additional exposures is not material to the Company's results.

The global nature of Dow's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global basis, the Company has assets, liabilities and cash flows in currencies other than the U.S. dollar. The primary objective of the Company's foreign exchange risk management is to optimize the U.S. dollar value of net assets and cash flows, keeping the adverse impact of currency movements to a minimum. To achieve this objective, the Company hedges on a net exposure basis using foreign currency forward contracts, over-the-counter option contracts, cross-currency swaps, and nonderivative instruments in foreign currencies. Main exposures are related to assets and liabilities denominated in the currencies of Europe, Asia Pacific and Canada; bonds denominated in foreign currencies – mainly the Euro; and economic exposure derived from the risk that currency fluctuations could affect the U.S. dollar value of future cash flows. The majority of the foreign exchange exposure is related to European currencies and the Japanese yen.

The main objective of interest rate risk management is to reduce the total funding cost to the Company and to alter the interest rate exposure to the desired risk profile. Dow uses interest rate swaps, "swaptions," and exchange-traded instruments to accomplish this objective. The Company's primary exposure is to the U.S. dollar yield curve.

Dow has a portfolio of equity securities derived from its acquisition and divestiture activity. This exposure is managed in a manner consistent with the Company's market risk policies and procedures.

Inherent in Dow's business is exposure to price changes for several commodities. Some exposures can be hedged effectively through liquid tradable financial instruments. Feedstocks for ethylene production and natural gas constitute the main commodity exposures. Over-the-counter and exchange traded instruments are used to hedge these risks when feasible.

Dow uses value at risk ("VAR"), stress testing and scenario analysis for risk measurement and control purposes. VAR estimates the potential gain or loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels. On an ongoing basis, the Company estimates the maximum gain or loss that could arise in one day, given a two-standard-deviation movement in the respective price levels. These amounts are immaterial in comparison to the size of the equity of the Company. The VAR methodology used by Dow is based primarily on a variance/covariance statistical model. The year-end VAR and average daily VAR for the aggregate of non-trading and trading positions for 2007 and 2006 are shown below:

<b>Total Daily VAR at December 31*</b> In millions	<b>2007</b>		<b>2006</b>	
	<i>Year-end</i>	<i>Average</i>	<i>Year-end</i>	<i>Average</i>
Foreign exchange	\$7	\$5	\$3	\$4
Interest rate	\$57	\$44	\$34	\$43
Equity exposures, net of hedges	\$15	\$16	\$9	\$3
Commodities	\$17	\$11	\$14	\$19

\*Using a 95 percent confidence level

See Note H to the Consolidated Financial Statements for further disclosure regarding market risk.



**The Dow Chemical Company and Subsidiaries**  
**PART II, Item 8. Financial Statements and Supplementary Data.**

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**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, any system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

Management assessed the effectiveness of the Company's internal control over financial reporting and concluded that, as of December 31, 2007, such internal control is effective. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

The Company's independent auditors, Deloitte & Touche LLP, with direct access to the Company's Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company. Their report on the consolidated financial statements is included herein. Deloitte & Touche LLP's report on the Company's internal control over financial reporting is included in Part II, Item 9A. Controls and Procedures.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris  
President, Chief Executive Officer and  
Chairman of the Board

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei  
Executive Vice President and Chief Financial Officer

/s/ WILLIAM H. WEIDEMAN

William H. Weideman  
Vice President and Controller

February 13, 2008

**The Dow Chemical Company and Subsidiaries**  
**PART II, Item 8. Financial Statements and Supplementary Data.**

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**Report of Independent Registered Public Accounting Firm**

*To the Board of Directors and Stockholders of  
The Dow Chemical Company:*

We have audited the accompanying consolidated balance sheets of The Dow Chemical Company and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15 (a) 2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Dow Chemical Company and subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes A and L to the consolidated financial statements, effective December 31, 2006, the Company changed its method of accounting for defined benefit pension and other postretirement plans to conform to Statement of Financial Accounting Standards No. 158.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

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/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP  
Midland, Michigan  
February 14, 2008

**The Dow Chemical Company and Subsidiaries**  
**Consolidated Statements of Income**

(In millions, except per share amounts) For the years ended December 31

	2007	2006	2005
Net Sales	\$ 53,513	\$ 49,124	\$ 46,307
Cost of sales	46,400	41,526	38,276
Research and development expenses	1,305	1,164	1,073
Selling, general and administrative expenses	1,864	1,663	1,545
Amortization of intangibles	72	50	55
Restructuring charges	578	591	114
Purchased in-process research and development charges	57	-	-
Asbestos-related credit	-	177	-
Equity in earnings of nonconsolidated affiliates	1,122	959	964
Sundry income - net	324	137	755
Interest income	130	185	138
Interest expense and amortization of debt discount	584	616	702
Income before Income Taxes and Minority Interests	4,229	4,972	6,399
Provision for income taxes	1,244	1,155	1,782
Minority interests' share in income	98	93	82
Income before Cumulative Effect of Change in Accounting Principle	2,887	3,724	4,535
Cumulative effect of change in accounting principle	-	-	(20)
Net Income Available for Common Stockholders	\$ 2,887	\$ 3,724	\$ 4,515
Share Data			
Earnings before cumulative effect of change in accounting principle per common share - basic	\$ 3.03	\$ 3.87	\$ 4.71
Earnings per common share - basic	\$ 3.03	\$ 3.87	\$ 4.69
Earnings before cumulative effect of change in accounting principle per common share - diluted	\$ 2.99	\$ 3.82	\$ 4.64
Earnings per common share - diluted	\$ 2.99	\$ 3.82	\$ 4.62
Common stock dividends declared per share of common stock	\$ 1.635	\$ 1.50	\$ 1.34
Weighted-average common shares outstanding - basic	953.1	962.3	963.2
Weighted-average common shares outstanding - diluted	965.6	974.4	976.8

See Notes to the Consolidated Financial Statements.

**The Dow Chemical Company and Subsidiaries**  
**Consolidated Balance Sheets**

(In millions, except share amounts) At December 31

	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,736	\$ 2,757
Marketable securities and interest-bearing deposits	1	153
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2007: \$118; 2006: \$122)	5,944	4,988
Other	3,740	3,060
Inventories	6,885	6,058
Deferred income tax assets - current	348	193
<b>Total current assets</b>	<b>18,654</b>	<b>17,209</b>
<b>Investments</b>		
Investment in nonconsolidated affiliates	3,089	2,735
Other investments	2,489	2,143
Noncurrent receivables	385	288
<b>Total investments</b>	<b>5,963</b>	<b>5,166</b>
<b>Property</b>		
Property	47,708	44,381
Less accumulated depreciation	33,320	30,659
<b>Net property</b>	<b>14,388</b>	<b>13,722</b>
<b>Other Assets</b>		
Goodwill	3,572	3,242
Other intangible assets (net of accumulated amortization - 2007: \$721; 2006: \$620)	781	457
Deferred income tax assets - noncurrent	2,126	4,006
Asbestos-related insurance receivables - noncurrent	696	725
Deferred charges and other assets	2,621	1,054
<b>Total other assets</b>	<b>9,796</b>	<b>9,484</b>
<b>Total Assets</b>	<b>\$ 48,801</b>	<b>\$ 45,581</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Notes payable	\$ 1,548	\$ 219
Long-term debt due within one year	586	1,291
Accounts payable:		
Trade	4,555	3,825
Other	1,981	1,849
Income taxes payable	728	569
Deferred income tax liabilities - current	117	251
Dividends payable	418	382
Accrued and other current liabilities	2,512	2,215
<b>Total current liabilities</b>	<b>12,445</b>	<b>10,601</b>
<b>Long-Term Debt</b>	<b>7,581</b>	<b>8,036</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income tax liabilities - noncurrent	854	999
Pension and other postretirement benefits - noncurrent	3,014	3,094
Asbestos-related liabilities - noncurrent	1,001	1,079
Other noncurrent obligations	3,103	3,342
<b>Total other noncurrent liabilities</b>	<b>7,972</b>	<b>8,514</b>
<b>Minority Interest in Subsidiaries</b>	<b>414</b>	<b>365</b>
<b>Preferred Securities of Subsidiaries</b>	<b>1,000</b>	<b>1,000</b>
<b>Stockholders' Equity</b>		
Common stock (authorized 1,500,000,000 shares of \$2.50 par value each; issued 981,377,562 shares)	2,453	2,453
Additional paid-in capital	902	830
Retained earnings (includes cumulative effect of adopting FIN No. 48 of \$(290))	18,004	16,987
Accumulated other comprehensive loss	(170)	(2,235)
Treasury stock at cost (2007: 41,011,018 shares; 2006: 23,326,570 shares)	(1,800)	(970)
<b>Net stockholders' equity</b>	<b>19,389</b>	<b>17,065</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 48,801</b>	<b>\$ 45,581</b>

See Notes to the Consolidated Financial Statements.

**The Dow Chemical Company and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(In millions) For the years ended December 31	2007	2006	2005
<b>Operating Activities</b>			
Net Income Available for Common Stockholders	\$ 2,887	\$ 3,724	\$ 4,515
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	-	-	20
Depreciation and amortization	2,190	2,074	2,079
Purchased in-process research and development charges	57	-	-
Provision for deferred income tax	494	104	740
Earnings of nonconsolidated affiliates in excess of dividends received	(348)	(343)	(469)
Minority interests' share in income	98	93	82
Pension contributions	(183)	(575)	(1,031)
Net gain on sales of ownership interests in nonconsolidated affiliates	-	-	(732)
Net gain on sales of investments	(143)	(19)	(33)
Net gain on sales of property, businesses and consolidated companies	(108)	(130)	(56)
Other net gain	(75)	(12)	(29)
Restructuring charges	577	586	41
Asbestos-related credit	-	(177)	-
Tax benefit - nonqualified stock option exercises	-	-	85
Excess tax benefits from share-based payment arrangements	(31)	(11)	-
Changes in assets and liabilities:			
Accounts and notes receivable	(1,002)	242	(469)
Inventories	(712)	(758)	(240)
Accounts payable	799	(129)	106
Other assets and liabilities	(16)	(515)	(135)
<b>Cash provided by operating activities</b>	<b>4,484</b>	<b>4,154</b>	<b>4,474</b>
<b>Investing Activities</b>			
Capital expenditures	(2,075)	(1,775)	(1,597)
Proceeds from sales of property, businesses and consolidated companies	211	296	105
Acquisitions of businesses	(143)	-	-
Purchase of previously leased assets	(30)	(208)	(263)
Investments in consolidated companies	(867)	(111)	(109)
Investments in nonconsolidated affiliates	(78)	(103)	(208)
Distributions from nonconsolidated affiliates	63	6	41
Proceeds from sales of ownership interests in nonconsolidated affiliates	30	10	956
Purchases of investments	(1,952)	(1,405)	(1,400)
Proceeds from sales and maturities of investments	1,983	1,383	1,379
<b>Cash used in investing activities</b>	<b>(2,858)</b>	<b>(1,907)</b>	<b>(1,096)</b>
<b>Financing Activities</b>			
Changes in short-term notes payable	1,220	23	74
Payments on long-term debt	(1,354)	(1,359)	(1,559)
Proceeds from issuance of long-term debt	21	-	4
Purchases of treasury stock	(1,462)	(739)	(68)
Proceeds from sales of common stock	379	223	398
Excess tax benefits from share-based payment arrangements	31	11	-
Distributions to minority interests	(51)	(57)	(70)
Dividends paid to stockholders	(1,512)	(1,404)	(1,287)
<b>Cash used in financing activities</b>	<b>(2,728)</b>	<b>(3,302)</b>	<b>(2,508)</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>81</b>	<b>6</b>	<b>(172)</b>
<b>Summary</b>			
Increase (Decrease) in cash and cash equivalents	(1,021)	(1,049)	698
Cash and cash equivalents at beginning of year	2,757	3,806	3,108
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,736</b>	<b>\$ 2,757</b>	<b>\$ 3,806</b>

See Notes to the Consolidated Financial Statements.

**The Dow Chemical Company and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**

(In millions) For the years ended December 31	2007	2006	2005
<b>Common Stock</b>			
Balance at beginning and end of year	\$ 2,453	\$ 2,453	\$ 2,453
<b>Additional Paid-in Capital</b>			
Balance at beginning of year	830	661	274
Stock-based compensation	72	169	387
Balance at end of year	902	830	661
<b>Unearned ESOP Shares</b>			
Balance at beginning of year	-	(1)	(12)
Shares allocated to ESOP participants	-	1	11
Balance at end of year	-	-	(1)
<b>Retained Earnings</b>			
Balance at beginning of year	16,987	14,719	11,527
Net income	2,887	3,724	4,515
Dividends declared on common stock	(1,548)	(1,438)	(1,292)
Other	(32)	(18)	(31)
Impact of the adoption of FIN No. 48	(290)	-	-
Balance at end of year	18,004	16,987	14,719
<b>Accumulated Other Comprehensive Loss</b>			
Unrealized Gains on Investments at beginning of year	42	11	41
Unrealized gains (losses)	29	31	(30)
Balance at end of year	71	42	11
Cumulative Translation Adjustments at beginning of year	(12)	(663)	301
Translation adjustments	735	651	(964)
Balance at end of year	723	(12)	(663)
Minimum Pension Liability at beginning of year	-	(1,312)	(1,357)
Adjustments	-	1,147	45
Balance at end of year, prior to Dec. 31, 2006 adoption of SFAS No. 158	-	(165)	(1,312)
Reversal of Minimum Pension Liability under SFAS No. 158	-	165	-
Recognition of prior service cost and net loss under SFAS No. 158	-	(2,192)	-
Pension and Other Postretirement Benefit Plans at beginning of year	(2,192)	-	-
Net prior service cost	(74)	-	-
Net gain	1,277	-	-
Pension and Other Postretirement Benefit Plans at end of year	(989)	(2,192)	-
Accumulated Derivative Gain (Loss) at beginning of year	(73)	15	38
Net hedging results	20	(127)	227
Reclassification to earnings	78	39	(250)
Balance at end of year	25	(73)	15
Total accumulated other comprehensive loss	(170)	(2,235)	(1,949)
<b>Treasury Stock</b>			
Balance at beginning of year	(970)	(559)	(995)
Purchases	(1,455)	(746)	(68)
Issuance to employees and employee plans	625	335	504
Balance at end of year	(1,800)	(970)	(559)
<b>Net Stockholders' Equity</b>	<b>\$ 19,389</b>	<b>\$ 17,065</b>	<b>\$ 15,324</b>

See Notes to the Consolidated Financial Statements.

**The Dow Chemical Company and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(In millions) For the years ended December 31	2007	2006	2005
Net Income Available for Common Stockholders	\$ 2,887	\$ 3,724	\$ 4,515
Other Comprehensive Income (Loss), Net of Tax (tax amounts shown below for 2007, 2006, 2005)			
Unrealized gains (losses) on investments:			
Unrealized holding gains (losses) during the period (net of tax of \$42, \$30, \$(7))	70	61	(21)
Less: Reclassification adjustments for net amounts included in net income (net of tax of \$(22), \$(16), \$(6))	(41)	(30)	(9)
Cumulative translation adjustments (net of tax of \$5, \$(39), \$(29))	735	651	(964)
Minimum pension liability adjustments (net of tax of \$-, \$657, \$26)	-	1,147	45
Defined benefit pension plans:			
Prior service cost arising during period (net of tax of \$(53))	(88)	-	-
Net gain arising during period (net of tax of \$630)	1,150	-	-
Less: Amortization of prior service cost included in net periodic pension costs (net of tax of \$5)	14	-	-
Less: Amortization of net loss included in net periodic pension costs (net of tax of \$67)	127	-	-
Net gains (losses) on cash flow hedging derivative instruments (net of tax of \$14, \$(39), \$8)	98	(88)	(23)
Total other comprehensive income (loss)	2,065	1,741	(972)
Comprehensive Income	\$ 4,952	\$ 5,465	\$ 3,543

See Notes to the Consolidated Financial Statements.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation and Basis of Presentation**

The accompanying consolidated financial statements of The Dow Chemical Company and its subsidiaries ("Dow" or the "Company") were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities for which the Company has a controlling financial interest or is the primary beneficiary. Intercompany transactions and balances are eliminated in consolidation. Investments in nonconsolidated affiliates (20-50 percent owned companies, joint ventures and partnerships) are accounted for on the equity basis.

Certain reclassifications of prior years' amounts have been made to conform to the presentation adopted for 2007.

**Use of Estimates in Financial Statement Preparation**

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

**Foreign Currency Translation**

The local currency has been primarily used as the functional currency throughout the world. Translation gains and losses of those operations that use local currency as the functional currency are included in the consolidated balance sheets as "Accumulated other comprehensive income (loss)" ("AOCI"). Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income.



**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**Environmental Matters**

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the consolidated balance sheets as "Other noncurrent obligations" at undiscounted amounts. Accruals for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the consolidated balance sheets as "Accounts and notes receivable - Other."

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Environmental costs are also capitalized in recognition of legal asset retirement obligations resulting from the acquisition, construction and/or normal operation of a long-lived asset. Costs related to environmental contamination treatment and cleanup are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued when such costs are probable and reasonably estimable.

**Cash and Cash Equivalents**

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

**Financial Instruments**

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

The Company utilizes derivative instruments to manage exposures to currency exchange rates, commodity prices and interest rate risk. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are reported in income or AOCI, depending on the use of the derivative and whether it qualifies for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted.

Gains and losses on derivative instruments that qualify as cash flow hedges are recorded in AOCI, to the extent the hedges are effective, until the underlying transactions are recognized in income. To the extent effective, gains and losses on derivative and nonderivative instruments used as hedges of the Company's net investment in foreign operations are recorded in AOCI as part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and hedges of net investment in foreign operations, if any, are recognized in income immediately.

Gains and losses on derivative instruments designated and qualifying as fair value hedging instruments, as well as the offsetting losses and gains on the hedged items, are reported in income in the same accounting period. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the results included in income.

**Inventories**

Inventories are stated at the lower of cost or market. On January 1, 2006, the Company began using normal capacity of production facilities (as defined by SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4") to calculate per unit costs of inventories. Prior to 2006, the Company used nameplate capacity. By subsidiary, the method of determining cost varies among last-in, first-out ("LIFO"); first-in, first-out ("FIFO"); and average cost, and is used consistently from year to year.

**Property**

Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is calculated using the straight-line method. For most assets capitalized through 1996, the declining balance method was used. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE A – Summary of Significant Accounting Policies and Recent Accounting Pronouncements – Continued**

**Impairment and Disposal of Long-Lived Assets**

The Company evaluates long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When undiscounted future cash flows are not expected to be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed of. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased.

**Investments**

Investments in debt and marketable equity securities, including warrants, are classified as trading, available-for-sale, or held-to-maturity. Investments classified as trading are reported at fair value with unrealized gains and losses included in income. Those classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in AOCI. Those classified as held-to-maturity are recorded at amortized cost. The cost of investments sold is determined by specific identification.

The excess of the cost of investments in subsidiaries over the values assigned to assets and liabilities is shown as goodwill and is subject to the impairment provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Absent any impairment indicators, recorded goodwill is tested for impairment in conjunction with the annual planning and budgeting process by comparing the fair value of each reporting unit, determined using a discounted cash flow method, with its carrying value.

**Revenue**

Sales are recognized when the revenue is realized or realizable, and has been earned, in accordance with the U.S. Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements." Approximately 98 percent of the Company's sales are related to sales of product. The remaining 2 percent is related to the Company's service offerings, insurance operations, and licensing of patents and technology. Revenue for product sales is recognized as risk and title to the product transfer to the customer, which usually occurs at the time shipment is made. Substantially all of the Company's products are sold FOB (free on board) shipping point or, with respect to countries other than the United States, an equivalent basis. As such, title to the product passes when the product is delivered to the freight carrier. Dow's standard terms of delivery are included in its contracts of sale, order confirmation documents and invoices. Freight costs and any directly related associated costs of transporting finished product to customers are recorded as "Cost of sales."

The Company's primary service offerings are in the form of contract manufacturing services and services associated with Dow AgroSciences' termite solution, SENTRICON™ Termite Colony Elimination System. Revenue associated with these service offerings is recognized when services are rendered, according to contractual agreements.

Revenue related to the Company's insurance operations includes third-party insurance premiums, which are earned over the terms of the related insurance policies and reinsurance contracts. Revenue related to the initial licensing of patents and technology is recognized when earned; revenue related to running royalties is recognized according to licensee production levels.

**Legal Costs**

The Company expenses legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred.

**Severance Costs**

The Company routinely reviews its operations around the world in an effort to ensure competitiveness across its businesses and geographic areas. When the reviews result in a workforce reduction related to the shutdown of facilities or other optimization activities, severance benefits are provided to employees primarily under Dow's ongoing benefit arrangements. These severance costs are accrued (under SFAS No. 112, "Employers' Accounting for Postemployment Benefits – an amendment of FASB Statements No. 5 and 43") once management commits to a plan of termination including the number of employees to be terminated, their job classifications or functions, their location(s) and the expected completion date.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**Income Taxes**

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The Company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The current portion of uncertain income tax positions is included in "Income taxes payable" and the long-term portion is included in "Other noncurrent obligations" in the consolidated balance sheets.

Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

**Earnings per Common Share**

The calculation of earnings per common share is based on the weighted-average number of the Company's common shares outstanding for the applicable period. The calculation for diluted earnings per common share reflects the effect of all potential dilutive common shares that were outstanding during the respective periods.

**RECENT ACCOUNTING PRONOUNCEMENTS**

**Accounting for Uncertainty in Income Taxes**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 was effective for fiscal years beginning after December 15, 2006.

On January 1, 2007, the Company adopted the provisions of FIN No. 48. The cumulative effect of adoption was a \$290 million reduction of retained earnings. See Note R for further information on income taxes.

**Accounting for Stock-Based Compensation**

On January 1, 2006, the Company adopted revised SFAS No. 123 ("SFAS No. 123R"), "Share-Based Payment." The fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 123R were materially consistent under the Company's equity plans; therefore, adoption of this standard had an immaterial impact on the Company's consolidated financial statements.

In November 2005, the FASB issued FASB Staff Position ("FSP") No. 123R-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." The FSP, which became effective in November 2005, required an entity to follow either the transition guidance for the additional-paid-in-capital pool as prescribed in SFAS No. 123R or the alternative transition method described in the FSP. An entity that adopted SFAS No. 123R using the modified prospective application may make a one-time election to adopt the transition method described in the FSP, and may take up to one year from the latter of its initial adoption of SFAS No. 123R or the effective date of the FSP to evaluate the available transition alternatives and make its one-time election. The Company adopted the alternative transition method provided in the FSP for calculating the tax effects of stock-based compensation under SFAS No. 123R.

See Note N for disclosures related to stock-based compensation.

**Accounting for Asset Retirement Obligations**

In March 2005, the FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies the term *conditional asset retirement obligation* as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. FIN No. 47 was effective for the Company on December 31, 2005.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE A – Summary of Significant Accounting Policies and Recent Accounting Pronouncements – Continued**

Dow has 150 manufacturing sites in 35 countries. Most of these sites contain numerous individual manufacturing operations, particularly at the Company's larger sites. Asset retirement obligations are recorded in the period in which they are incurred and reasonably estimable, including those obligations for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. Retirement of assets may involve such efforts as remediation and treatment of asbestos, contractually required demolition, and other related activities, depending on the nature and location of the assets, and are typically realized only upon demolition of those facilities. In identifying asset retirement obligations, the Company considers identification of legally enforceable obligations, changes in existing law, estimates of potential settlement dates and the calculation of an appropriate discount rate to be used in calculating the fair value of the obligations. Dow has a well-established global process to identify, approve and track the demolition of retired or to-be-retired facilities; no assets are retired from service until this process has been followed. Dow typically forecasts demolition projects based on the usefulness of the assets; environmental, health and safety concerns; and other similar considerations. Under this process, as demolition projects are identified and approved, reasonable estimates may then be determined for the time frames during which any related asset retirement obligations are expected to be settled. For those assets where a range of potential settlement dates may be reasonably estimated, obligations are recorded.

Assets that have not been submitted/reviewed for potential demolition activities are considered to have continued usefulness and are generally still operating "normally." Therefore, without a plan to demolish the assets or the expectation of a plan, such as shortening the useful life of assets for depreciation purposes under the requirements of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," Dow is unable to reasonably forecast a time frame to use for present value calculations. As such, Dow has not recognized obligations for individual plants/buildings at its 150 manufacturing sites where estimates of potential settlement dates cannot be reasonably made. In addition, the Company has not recognized conditional asset retirement obligations for the capping of its approximately 45 underground storage wells at Dow-owned sites when there are no plans or expectations of plans to exit the sites. Dow routinely reviews all changes to the list of items under consideration for demolition to determine if an adjustment to the value of the asset retirement obligation is required.

Adoption of FIN No. 47 on December 31, 2005 resulted in the recognition of an asset retirement obligation of \$34 million and a charge of \$20 million (net of tax of \$12 million), which was included in "Cumulative effect of change in accounting principle" in the fourth quarter of 2005. The discount rate used to calculate the Company's asset retirement obligations was 4.6 percent.

If the amortization of asset retirement cost and accretion of asset retirement obligation provisions of FIN No. 47 had been in effect during 2005, the impact on "Income before Cumulative Effect of Change in Accounting Principle" and "Net Income Available for Common Stockholders" would have been immaterial. Further, the impact on earnings per common share (both basic and diluted) would have been less than \$0.01.

See Note J for the Company's disclosures related to asset retirement obligations.

**Other Accounting Pronouncements**

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. SFAS No. 151 was effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Because the Company previously used nameplate capacity to calculate product costs, the adoption of SFAS No. 151 on January 1, 2006 had an immaterial favorable impact on the Company's consolidated financial statements.

In December 2004, the FASB issued FSP No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which provides a practical exception to the SFAS No. 109 requirement to reflect the effect of a new tax law in the period of enactment by allowing additional time beyond the financial reporting period to evaluate the effects on plans for reinvestment or repatriation of unremitted foreign earnings. The American Jobs Creation Act of 2004 (the "AJCA") introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain criteria are met. In May 2005, tax authorities released the clarifying language necessary to enable the Company to finalize its plan for the repatriation and reinvestment of foreign earnings subject to the requirements of the AJCA, resulting in a credit of \$113 million to "Provision for income taxes" in the second quarter of 2005.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." The Statement, which was effective December 31, 2006 for the Company, required employers to recognize the funded status of defined benefit postretirement plans as an asset or liability on the balance sheet and to recognize changes in that funded status through comprehensive income. See Note L for the impact of adopting the Statement.

**The Dow Chemical Company and Subsidiaries**  
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**SAB No. 74 Disclosures for Accounting Standards Issued But Not Yet Adopted**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. The Statement applies under other accounting pronouncements that require or permit fair value measurements and is effective for fiscal years beginning after November 15, 2007. The Company's existing fair value measurements are consistent with the guidance of the Statement. Therefore, adoption of the Statement on January 1, 2008, is not expected to have a material impact on the Company's consolidated financial statements in the first quarter of 2008. Since the Company uses a December 31 measurement date for its pension and other postretirement plans, the Company is still evaluating the impact of adopting the Statement for its plan assets.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115," which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, which was January 1, 2008 for the Company. The Company did not elect the fair value option for existing eligible items under SFAS No. 159; therefore, the Statement had no impact on the Company's consolidated financial statements at January 1, 2008.

In April 2007, the FASB issued FSP No. FIN 39-1, "Amendment of FASB Interpretation No. 39." This FSP replaces certain terms in FIN No. 39 with "derivative instruments" (as defined in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities") and permits the offsetting of fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. The FSP is effective for fiscal years beginning after November 15, 2007. The Company evaluated the guidance in the FSP and determined that it will have no impact on the Company's consolidated financial statements at January 1, 2008.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations". The Statement establishes revised principles and requirements for how the Company will recognize and measure assets and liabilities acquired in a business combination. The Statement is effective for business combinations completed on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which begins January 1, 2009 for the Company.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51". The Statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Statement is effective on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which begins January 1, 2009 for the Company. The Company is currently evaluating the impact of adopting the Statement.

**NOTE B – RESTRUCTURING**

**2007 Restructuring**

On December 3, 2007, the Company's Board of Directors approved a restructuring plan that includes the shutdown of a number of assets and organizational changes within targeted support functions to improve the efficiency and cost effectiveness of the Company's global operations. As a result of these shutdowns and organizational changes, which are scheduled to be completed by the end of 2009, the Company recorded pretax restructuring charges totaling \$590 million in the fourth quarter of 2007. The charges consisted of asset write-downs and write-offs of \$422 million, costs associated with exit or disposal activities of \$82 million and severance costs of \$86 million. The impact of the charges is shown as "Restructuring charges" in the consolidated statements of income and was reflected in the Company's segment results as shown in the following table, which also reflects adjustments made in 2007 to the 2006 restructuring charges, as discussed in the section titled "2006 Restructuring":

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE B – Restructuring – Continued**

<b>2007 Restructuring Charges by Operating Segment</b>					
In millions	<i>Impairment of Long-Lived Assets, Other Intangible Assets and Equity Investments</i>	<i>Costs associated with Exit or Disposal Activities</i>	<i>Severance Costs</i>	<i>Total</i>	
Performance Plastics	\$153	\$31	-	\$184	
Performance Chemicals	81	4	-	85	
Agricultural Sciences	58	19	-	77	
Basic Plastics	88	-	-	88	
Basic Chemicals	7	-	-	7	
Hydrocarbons and Energy	31	13	-	44	
Unallocated and Other	4	15	\$86	105	
Total restructuring charges related to 2007 plan	\$422	\$82	\$86	\$590	
Adjustments to 2006 restructuring charges:					
Performance Plastics	-	(4)	-	(4)	
Unallocated and Other	-	-	(8)	(8)	
Net 2007 Restructuring Charges	\$422	\$78	\$78	\$578	

Details regarding the components of the 2007 restructuring charges are discussed below:

*Impairment of Long-Lived Assets, Other Intangible Assets and Equity Investments*

The restructuring charges related to the write-down or write-off of assets and equity investments in 2007 totaled \$422 million and included the impact of plant closures and impairments of \$273 million. The most significant plant write-downs affected Dow's facilities located in Lauterbourg, France; Camaçari, Brazil; Aratu, Brazil; Tarragona, Spain; Hahnville, Louisiana; and Berre, France; and assets related to the exit of the automotive sealants business in North America, Latin America and Asia Pacific. Details regarding these write-downs are as follows:

- Due to overcapacity within the industry, a disadvantaged cost position, and increasing pressure from generic suppliers, the Company launched an information/consultation process with local employee representatives on a closure project in the fourth quarter of 2007 and recorded an asset impairment charge related to its agricultural products manufacturing site located in Lauterbourg, France. A \$44 million write-down of the net book value of the related buildings, machinery and equipment against the Agricultural Sciences segment was recorded in the fourth quarter of 2007.
- The Company evaluated the economic and financial feasibility of its styrene plant in Camaçari, Brazil, and due to raw material competitiveness, the age of the facility, as well as the ready availability of styrene within the global marketplace, the Company announced the idling of the facility in the fourth quarter of 2007 and recorded a \$14 million write-down of the net book value of the related buildings, machinery and equipment against the Hydrocarbons and Energy segment.
- The Company will close its hydroxyethyl cellulose manufacturing facility located in Aratu, Brazil, in the first quarter of 2008, due to a number of factors, including capacity limitations, high structural and raw material costs, and older technology. A \$12 million write-down of the net book value of the related buildings, machinery and equipment was recorded against the Performance Chemicals segment in the fourth quarter of 2007.
- The Company has determined that the operating costs of its fiber solution manufacturing plant in Tarragona, Spain, cannot be sustained. The Company will evaluate more economically viable alternative manufacturing options. As a result, the Company recorded a \$29 million impairment write-down of the net book value of the related buildings, machinery and equipment against the Performance Plastics segment in the fourth quarter of 2007.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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- Due to a number of factors, including the inability to secure an economically sustainable source of propylene and the use of older technologies at the plant, Union Carbide decided in the fourth quarter of 2007 to shut down its polypropylene facility at St. Charles Operations in Hahnville, Louisiana. As a result of the shutdown, a \$23 million write-down of the net book value of the related buildings, machinery and equipment was recorded against the Basic Plastics segment in the fourth quarter of 2007.
- The Company determined that it would not be possible to renegotiate an economically viable contract manufacturing agreement to continue the operations of the rubber plant located in Berre, France. A \$27 million impairment write-down of the net book value of the related buildings, machinery and equipment was recorded against the Performance Plastics segment in the fourth quarter of 2007.
- The Company has assessed the long-term profitability of its participation in the automotive sealants business and has determined that the projected results are inconsistent with the financial performance expected of a market-facing business. As a result, in the fourth quarter of 2007, the Company made the decision to exit the automotive sealants business in North America, Asia Pacific and Latin America in the next 9 to 18 months; the business will explore strategic options within Europe. A \$58 million write-down of the net book value of the related buildings, machinery and equipment against the Performance Plastics segment was recorded in the fourth quarter of 2007.

In addition to the write-downs described above, the restructuring charges for plant closures included \$66 million related to the shutdown of several small production facilities and the closure of certain storage wells in Canada.

The restructuring charges in the fourth quarter of 2007 also included the write-down of investments in nonconsolidated affiliates of \$99 million. The most significant write-downs were related to the Company's investment in Pétromont and Company, Limited Partnership ("Pétromont") and Dow Reichhold Specialty Latex LLC. Details regarding these write-downs are as follows:

- Due to an unfavorable financial outlook, reflecting significant long-term economic challenges, the Company determined in the fourth quarter of 2007 that its equity investment in Pétromont, a 50 percent owned company, was other than temporarily impaired and recorded a \$46 million write-down of its interest in Pétromont against the Basic Plastics segment.
- Due to the loss of a significant portion of business and the lack of replacement business opportunities, the Company determined its equity investment in Dow Reichhold Specialty Latex LLC, a 50 percent owned company to be other than temporarily impaired and recorded a \$42 million write-down of its interest in Dow Reichhold Specialty Latex LLC against the Performance Chemicals segment in the fourth quarter of 2007.

In addition to the write-downs described above, the restructuring charges for investments in nonconsolidated affiliates included \$11 million related to the dissolution of two smaller joint ventures.

The restructuring charges in the fourth quarter of 2007 also included the write-off of capital project spending (\$37 million), and trademarks and patents (\$2 million) which the Company determined to be of no further value; as well as spare parts and catalysts (\$11 million) associated with the plant closures. These write-offs were principally related to the businesses involved in the shutdown of assets and were therefore reflected in the results of various operating segments.

#### *Costs Associated with Exit or Disposal Activities*

The restructuring charges for costs associated with exit or disposal activities totaled \$82 million in 2007 and included contract termination fees of \$53 million, pension curtailment costs and termination benefits of \$15 million, environmental remediation of \$7 million and \$7 million of other related costs.

Contract termination fees of \$53 million represent the Company's best estimate of the fair value to negotiate the settlement of the early cancellation of several service and supply agreements principally related to the shutdown of manufacturing assets within the Performance Plastics and Agricultural Sciences segments.

#### *Severance Costs*

As a result of the Company's decision to shut down assets around the world, and complete other workforce optimization activities, the restructuring charges recorded in 2007 included severance of \$86 million for the separation of approximately 978 employees under the terms of Dow's ongoing benefit arrangements, primarily over the next two years. These costs were charged against Unallocated and Other. At December 31, 2007, severance of approximately \$1 million had been paid to 12 employees and a liability of \$85 million remained for approximately 966 employees.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE B – Restructuring – Continued**

The following table summarizes the activities related to the Company's restructuring reserve:

<b>2007 Restructuring Activities</b>	<i>Impairment of Long-Lived Assets, Other Intangible Assets and Equity Investments</i>	<i>Costs associated with Exit or Disposal Activities</i>	<i>Severance Costs</i>	<i>Total</i>
In millions				
Restructuring charges incurred in the fourth quarter of 2007	\$ 422	\$82	\$86	\$ 590
Cash payments	-	-	(1)	(1)
Charges against reserve	(422)	(3)	-	(425)
Reserve balance at December 31, 2007	-	\$79	\$85	\$ 164

Dow expects to incur future costs related to its restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and across geographic areas. Future costs are expected to include demolition costs related to the closed facilities, which will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities, and pension plan settlement costs. These costs cannot be reasonably estimated at this time.

**2006 Restructuring**

On August 29, 2006, the Company's Board of Directors approved a plan to shut down a number of assets around the world as the Company continued its drive to improve the competitiveness of its global operations. As a consequence of these shutdowns, which are scheduled to be completed by the first quarter of 2009, and other optimization activities, the Company recorded pretax restructuring charges totaling \$591 million in 2006. The charges consisted of asset write-downs and write-offs of \$346 million, costs associated with exit or disposal activities of \$172 million and severance costs of \$73 million. The impact of the charges is shown as "Restructuring charges" in the consolidated statements of income and was reflected in the Company's segment results as follows:

**2006 Restructuring Charges by Operating Segment**

	<i>Impairment of Long-Lived Assets and Other Intangible Assets</i>	<i>Costs associated with Exit or Disposal Activities</i>	<i>Severance Costs</i>	<i>Total</i>
In millions				
Performance Plastics	\$174	\$ 68	-	\$242
Performance Chemicals	10	2	-	12
Basic Plastics	15	1	-	16
Basic Chemicals	129	55	-	184
Unallocated and Other	18	46	\$73	137
Total	\$346	\$172	\$73	\$591

Details regarding the components of the restructuring charges are discussed below:

*Impairment of Long-Lived Assets and Other Intangible Assets*

The restructuring charges related to the write-down or write-off of assets in 2006 totaled \$346 million and included the impact of plant closures of \$269 million. The most significant plant closures affected Dow's facilities in Porto Marghera, Italy, and Fort Saskatchewan, Alberta, and Sarnia, Ontario, Canada. Details regarding these shutdowns are as follows:

- In Porto Marghera, Italy, the Company's toluene diisocyanate ("TDI") plant was shut down for planned maintenance in early August 2006. Business fundamentals in the TDI business were weak due to excess global capacity. As a result, the Company decided to permanently close the facility at the end of August, resulting in a \$115 million write-down of the net book value of the related buildings, machinery and equipment against the Performance Plastics segment in the third quarter of 2006.



## The Dow Chemical Company and Subsidiaries

### Notes to the Consolidated Financial Statements

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- Substantial capital costs would be required to address efficiency issues at the Company's chlor-alkali and direct chlorination ethylene dichloride plants in Fort Saskatchewan, Alberta, Canada. Based on an analysis of the discounted future cash flows, management determined that an investment in these facilities could not be justified. As a result, the Company shut down the facilities at the end of October 2006, resulting in a \$74 million write-down of the net book value of the related buildings, machinery and equipment against the Basic Chemicals segment in the third quarter of 2006.
  - Assessments by the businesses located in Sarnia, Ontario, Canada, were triggered by the suspension of ethylene shipments through the Cochin Pipeline, a subsidiary of BP Canada Energy Resources Company, due to safety concerns. The assessments highlighted a variety of issues related to the effectiveness, efficiency and long-term sustainability of the Sarnia-based assets. Based on these assessments, the Company decided to cease all production activity at the Sarnia site by the end of the first quarter of 2009 as follows:
    - The low density polyethylene plant was shut down in the third quarter of 2006.
    - The polystyrene plant ceased production in December 2006.
    - Latex production from the UCAR Emulsion Systems facility was shut down in the fourth quarter of 2007.
    - The polyols plant is expected to be shut down in the first quarter of 2009.
- The closure of manufacturing plants in 2006 resulted in a \$24 million write-down of the net book value of the machinery and equipment in the third quarter of 2006 (with \$11 million reflected in Performance Plastics, \$10 million in Basic Plastics, and \$3 million in Unallocated and Other).

In addition to the larger shutdowns described above, the restructuring charges for plant closures included \$56 million related to the shutdown of several small production facilities, a terminal, and a research and development facility.

The restructuring charges in the third quarter of 2006 also included the write-off of capital project spending (\$47 million) and technology assets (\$18 million) which the Company determined to be of no further value, as well as spare parts and catalysts (\$12 million) associated with the plant closures. These write-offs were principally related to the businesses involved in the shutdown of assets and were therefore reflected in the results of various operating segments.

#### *Costs Associated with Exit or Disposal Activities*

The restructuring charges for costs associated with exit or disposal activities totaled \$172 million in 2006 and included contract termination fees of \$65 million, environmental remediation of \$60 million, pension curtailment costs and termination benefits of \$33 million, and asbestos abatement of \$14 million.

Contract termination fees of \$65 million represented the Company's best estimate of the fair value to negotiate the settlement of the early cancellation of several supply agreements principally related to the shutdown of manufacturing assets primarily within the Performance Plastics segment. In the second quarter of 2007, the Company reached agreements with certain suppliers regarding the early cancellation of supply agreements, resulting in a \$4 million reduction of the restructuring reserve for contract termination fees. The adjustment was credited against the Performance Plastics segment.

The restructuring charges for environmental remediation of \$60 million and asbestos abatement of \$14 million principally related to the shutdown of the Company's facilities in Canada. The charges were therefore reflected in various operating segments.

According to the restructuring plan for Canada, the chlor-alkali and direct chlorination ethylene dichloride plants in Fort Saskatchewan were shut down at the end of October 2006; the Sarnia site will cease all production by the end of the first quarter of 2009. As such, for purposes of calculating the Company's obligation associated with Dow's defined benefit plans in Canada, the expected years of future service of active employees has been significantly reduced. In addition, the Company is obligated to provide certain termination benefits. As a result, the restructuring charge included pension curtailment costs and termination benefits of \$33 million in 2006. These costs were reflected in Unallocated and Other.

#### *Severance Costs*

As a result of the Company's plans to shut down assets around the world, and conduct other optimization activities principally in Europe, the restructuring charges recorded in 2006 included severance of \$73 million for the separation of approximately 810 employees under the terms of Dow's ongoing benefit arrangements, primarily over two years. These costs were charged against Unallocated and Other. At December 31, 2006, severance of \$4 million had been paid to 115 employees and a liability of \$69 million remained for approximately 695 employees. During 2007, severance of \$25 million was paid to 245 employees, bringing the total payments against the program to \$29 million paid to 360 employees. In the fourth quarter of 2007, a reduction of \$8 million was recorded against the estimated program costs. At December 31, 2007, a liability of \$39 million (including foreign currency impact) remained for approximately 410 employees.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE B – Restructuring – Continued**

The following table summarizes the activities related to the Company's restructuring reserve:

<b>2006 Restructuring Activities</b>	<i>Impairment of Long-Lived Assets and Other Intangible Assets</i>	<i>Costs associated with Exit or Disposal Activities</i>	<i>Severance Costs</i>	<i>Total</i>
In millions				
Restructuring charges incurred in the third quarter of 2006	\$ 327	\$171	\$ 81	\$ 579
Adjustments to reserve	19	1	(8)	12
Cash payments	-	(1)	(4)	(5)
Charges against reserve	(346)	-	-	(346)
Reserve balance at December 31, 2006	-	\$171	\$ 69	\$ 240
Adjustments to reserve	-	(4)	(8)	(12)
Cash payments	-	(53)	(25)	(78)
Foreign currency impact	-	21	3	24
Reserve balance at December 31, 2007	-	\$135	\$ 39	\$ 174

**2005 Restructuring**

In the fourth quarter of 2005, the Company recorded pretax charges totaling \$114 million related to restructuring activities, as the Company continued to focus on financial discipline and made additional decisions regarding noncompetitive and underperforming assets, as well as decisions regarding the consolidation of manufacturing capabilities. The charges included costs of \$67 million related to the closure of approximately 20 small plants around the world, losses of \$12 million on asset sales, the write-off of an intangible asset of \$10 million and employee-related expenses of \$25 million (paid to 197 employees in the fourth quarter of 2005). The total of these charges is shown as "Restructuring charges" in the consolidated statements of income. The charges were recorded against the Company's operating segments as follows: \$28 million against Performance Plastics, \$14 million against Performance Chemicals, \$9 million against Agricultural Sciences, \$12 million against Basic Plastics and \$3 million against Basic Chemicals. Charges to Unallocated and Other amounted to \$48 million.

**NOTE C – ACQUISITIONS**

**Acquisition of Wolff Walsrode**

Consistent with the Company's strategy to invest in its Performance businesses, the Company announced on December 18, 2006, that it had reached an agreement with the Bayer Group to acquire Wolff Walsrode AG and certain related affiliates and assets ("Wolff Walsrode"), subject to regulatory approval. Wolff Walsrode, headquartered in Bomlitz, Germany, specializes in cellulose derivatives, food casings and site services. Following approval from the European Commission on June 20, 2007, Dow acquired Wolff Walsrode on June 30, 2007 for a cash purchase price of approximately \$603 million.

On July 2, 2007, the Company announced the creation of a new specialty business unit, Dow Wolff Cellulosics, which combined the newly acquired Wolff Walsrode with Dow's Water Soluble Polymers business. Dow Wolff Cellulosics will encompass cellulosics and related chemistries, providing application formulation expertise and other technical services to a broad range of strategic industry sectors, including construction, paint, personal care, pharmaceuticals, food and a number of specialty industrial applications.

**The Dow Chemical Company and Subsidiaries**  
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The following table summarizes the values of the assets acquired and liabilities assumed at the date of the acquisition, as well as adjustments that have been made primarily as a result of final valuations.

<b>Assets Acquired and Liabilities Assumed</b> In millions	<i>At June 30, 2007</i>	<i>Purchase Price Adjustments (1)</i>	<i>At Dec. 31, 2007</i>
Current assets	\$188	\$ 15	\$203
Property	233	89	322
Goodwill (2)	364	(163)	201
Other intangible assets (2)	8	148	156
Other assets	11	(5)	6
<b>Total assets acquired</b>	<b>\$804</b>	<b>\$ 84</b>	<b>\$888</b>
Accounts payable	\$ 27	-	\$ 27
Long-term debt	10	-	10
Accrued and other liabilities	47	\$ (5)	42
Pension benefits	117	(11)	106
Deferred tax liabilities - noncurrent	-	88	88
<b>Total liabilities assumed</b>	<b>\$201</b>	<b>\$ 72</b>	<b>\$273</b>
<b>Net assets acquired</b>	<b>\$603</b>	<b>\$ 12</b>	<b>\$615</b>

(1) Includes a \$7 million write-off of purchased in-process research and development, the addition of transaction costs of \$7 million in the second half of 2007 and \$12 million of working capital adjustments.

(2) See Note G for additional information.

The Company evaluated the materiality of assets acquired, liabilities assumed and results of operations, individually and in the aggregate, and concluded that such assets, liabilities and results of operations were not material to the consolidated financial statements.

Beginning in the third quarter of 2007, the results of Wolff Walsrode's operations were reflected in the Company's consolidated income statement.

**Purchased In-Process Research and Development**

Purchased in-process research and development ("IPR&D") represents the value assigned in a business combination to acquired research and development projects that, as of the date of the acquisition, had not established technological feasibility and had no alternative future use. Amounts assigned to IPR&D meeting these criteria must be charged to expense as part of the allocation of the purchase price of the business combination.

The Company recorded pretax charges totaling \$57 million in 2007 for IPR&D projects associated with several recent acquisitions. The estimated values assigned to the IPR&D projects were determined primarily based on a discounted cash flow model and are shown below:

<b>In-Process Research and Development Projects Acquired</b>	<i>Estimated Value Assigned to IPR&amp;D</i>
In millions	<i>Date of Acquisition</i>
Germplasm from Maize Technologies International	May 1, 2007 \$ 2
Manufacturing process R&D from Wolff Walsrode	June 30, 2007 7
Germplasm from Agromen Tecnologia Ltda.	August 1, 2007 26
Germplasm from Duo Maize	August 30, 2007 3
Intellectual property for crop trait discovery from Exelixis	
Plant Sciences	September 4, 2007 19
<b>Total</b>	<b>\$57</b>

The 2007 charges were shown as "Purchased in-process research and development charges" in the consolidated statements of income. IPR&D of \$50 million related to projects within the Agricultural Sciences segment. The \$7 million charge related to IPR&D acquired from Wolff Walsrode impacted the results of the Performance Chemicals segment.

**The Dow Chemical Company and Subsidiaries**  
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**NOTE D – INVENTORIES**

The following table provides a breakdown of inventories:

<b>Inventories at December 31</b>		
In millions	2007	2006
Finished goods	\$4,085	\$3,498
Work in process	1,595	1,319
Raw materials	566	672
Supplies	639	569
Total inventories	\$6,885	\$6,058

The reserves reducing inventories from a FIFO basis to a LIFO basis amounted to \$1,511 million at December 31, 2007 and \$1,092 million at December 31, 2006. Inventories valued on a LIFO basis, principally hydrocarbon and U.S. chemicals and plastics product inventories, represented 34 percent of the total inventories at December 31, 2007 and 38 percent of total inventories at December 31, 2006.

A reduction of certain inventories resulted in the liquidation of some of the Company's LIFO inventory layers, increasing pretax income \$321 million in 2007, \$97 million in 2006 and \$110 million in 2005.

**NOTE E – PROPERTY**

<b>Property at December 31</b>		<i>Estimated Useful Lives</i>	
In millions		(Years)	
Land	-		\$ 602
Land and waterway improvements	15-25		1,286
Buildings	5-55		3,717
Machinery and equipment	3-20		36,266
Utility and supply lines	5-20		2,253
Other property	3-30		1,770
Construction in progress	-		1,814
Total property			\$47,708

In millions	2007	2006	2005
Depreciation expense	\$1,959	\$1,904	\$1,904
Manufacturing maintenance and repair costs	\$1,482	\$1,376	\$1,289
Capitalized interest	\$85	\$73	\$56

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE F – NONCONSOLIDATED AFFILIATES AND RELATED COMPANY TRANSACTIONS**

The Company's investments in related companies accounted for by the equity method ("nonconsolidated affiliates") were \$3,089 million at December 31, 2007 and \$2,735 million at December 31, 2006. At December 31, 2007, the carrying amount of the Company's investments in nonconsolidated affiliates was \$64 million more than its share of the investees' net assets, exclusive of Dow Corning Corporation ("Dow Corning"), MEGlobal, Equipolymers and EQUATE Petrochemical Company K.S.C. ("EQUATE"), which are discussed separately below. This difference was \$65 million at December 31, 2006. Dividends received from the Company's nonconsolidated affiliates were \$774 million in 2007, \$616 million in 2006 and \$495 million in 2005.

On May 15, 1995, Dow Corning, in which the Company is a 50 percent shareholder, voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note J). As a result, the Company fully reserved its investment in Dow Corning and reserved its 50 percent share of equity earnings from that time through the third quarter of 2000. A difference between the Company's 50 percent share of the underlying equity of Dow Corning and the carrying value of this investment has existed since May 1995. In November 2000, following affirmation of the Bankruptcy Court's order confirming the Joint Plan of Reorganization (the "Joint Plan"), the Company reviewed the value of its investment in Dow Corning, revised its assessment of the recoverability of its investment, and determined that it had adequately provided for the other-than-temporary decline associated with the bankruptcy. On June 1, 2004, Dow Corning's Joint Plan became effective and Dow Corning emerged from bankruptcy. The Company considers the difference between the carrying value of its investment in Dow Corning and its 50 percent share of Dow Corning's equity to be permanent. The difference was \$227 million at December 31, 2007 and December 31, 2006.

At December 31, 2007, the Company's investment in MEGlobal was \$274 million less than the Company's proportionate share of MEGlobal's underlying net assets (\$281 million less at December 31, 2006). This amount represents the difference between the value of certain assets of the joint venture and the Company's related valuation on a U.S. GAAP basis, of which \$84 million is being amortized over the remaining useful lives of the assets and \$190 million represents the Company's share of the joint venture's goodwill.

At December 31, 2007, the Company's investment in Equipolymers was \$48 million less than the Company's proportionate share of Equipolymers' underlying net assets (\$49 million less at December 31, 2006). This amount represents the difference between the value of certain assets of the joint venture and the Company's related valuation on a U.S. GAAP basis, of which \$11 million is being amortized over the remaining useful lives of the assets and \$37 million represents the Company's share of the joint venture's goodwill.

At December 31, 2007, the Company's investment in EQUATE equaled its proportionate share of the underlying net assets (and was \$17 million less at December 31, 2006). The \$17 million difference at December 31, 2006 represented the difference between EQUATE's value of certain assets and the Company's related valuation on a U.S. GAAP basis and was fully amortized in 2007.

In November 2004, Union Carbide Corporation ("Union Carbide") sold a 2.5 percent interest in EQUATE to National Bank of Kuwait for \$104 million. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer and reducing Union Carbide's ownership interest from 45 percent to 42.5 percent. A pretax gain of \$70 million was recorded in the first quarter of 2005 related to the sale of these shares.

On January 3, 2005, the Company and E.I. du Pont de Nemours and Company ("DuPont") announced that the Company had exercised its option to acquire certain assets relating to ethylene elastomers and chlorinated elastomers from DuPont Dow Elastomers L.L.C. ("DDE"), including ENGAGE™, NORDEL™ and TYRIN™ elastomers, through an equity redemption transaction involving the Company's equity interest in DDE. As a result of this option exercise, DuPont purchased the Company's remaining equity interest in DDE for \$87 million; the dissolution of the joint venture, which was completed on June 30, 2005, resulted in a pretax gain of \$31 million in the second quarter of 2005. The Company decreased its investment in nonconsolidated affiliates and recorded \$324 million in net property, \$122 million in inventories, and \$48 million in other net assets.

On November 30, 2005, Union Carbide completed the sale of its indirect 50 percent interest in UOP LLC ("UOP") to a wholly owned subsidiary of Honeywell International, Inc. for a purchase price of \$867 million, resulting in a pretax gain of \$637 million in the fourth quarter of 2005.

All of the nonconsolidated affiliates in which the Company has investments are privately held companies; therefore, quoted market prices are not available.

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**NOTE F – Nonconsolidated Affiliates and Related Company Transactions – Continued**

**Principal Nonconsolidated Affiliates**

Dow's principal nonconsolidated affiliates and the Company's direct or indirect ownership interest for each at December 31, 2007, 2006 and 2005 are shown below:

<b>Principal Nonconsolidated Affiliates at December 31</b>	<i>Ownership Interest</i>		
	<i>2007</i>	<i>2006</i>	<i>2005</i>
Compañía Mega S.A.	28%	28%	28%
Dow Corning Corporation	50%	50%	50%
EQUATE Petrochemical Company K.S.C.	42.5%	42.5%	42.5%
Equipolymers	50%	50%	50%
MEGlobal	50%	50%	50%
The OPTIMAL Group of Companies:			
OPTIMAL Chemicals (Malaysia) Sdn Bhd	50%	50%	50%
OPTIMAL Glycols (Malaysia) Sdn Bhd	50%	50%	50%
OPTIMAL Olefins (Malaysia) Sdn Bhd	23.75%	23.75%	23.75%
The SCG-Dow Group:			
Pacific Plastics (Thailand) Limited	49%	49%	49%
Siam Polyethylene Company Limited	49%	49%	49%
Siam Polystyrene Company Limited	49%	49%	49%
Siam Styrene Monomer Co., Ltd.	49%	49%	49%
Siam Synthetic Latex Company Limited	49%	49%	49%
Univation Technologies, LLC	50%	50%	50%

The Company's investment in its principal nonconsolidated affiliates was \$2,488 million at December 31, 2007 and \$2,107 million at December 31, 2006. Equity earnings from these companies were \$1,072 million in 2007, \$883 million in 2006 and \$893 million in 2005. The summarized financial information presented below represents the combined accounts (at 100 percent) of the principal nonconsolidated affiliates.

<b>Summarized Balance Sheet Information at December 31</b>		
<i>In millions</i>	<i>2007</i>	<i>2006</i>
Current assets	\$ 6,943	\$ 5,795
Noncurrent assets	9,669	7,574
Total assets	\$16,612	\$13,369
Current liabilities	\$ 3,165	\$ 2,505
Noncurrent liabilities	6,700	4,858
Total liabilities	\$ 9,865	\$ 7,363

<b>Summarized Income Statement Information</b>			
<i>In millions</i>	<i>2007</i>	<i>2006</i>	<i>2005(1)</i>
Sales	\$13,884	\$11,916	\$12,834
Gross profit	\$3,492	\$3,168	\$3,129
Net income	\$2,464	\$1,960	\$1,993

(1) The summarized income statement information for 2005 includes the results for DDE from January 1, 2005 through June 30, 2005, and the results for UOP from January 1, 2005 through November 30, 2005.

The Company has service agreements with some of these entities, including contracts to manage the operations of manufacturing sites and the construction of new facilities; licensing and technology agreements; and marketing, sales, purchase and lease agreements.

**The Dow Chemical Company and Subsidiaries**  
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Excess ethylene glycol produced in Dow's plants in the United States and Europe is sold to MEGlobal and represented 2 percent of total net sales in 2007, 2006 and 2005. In addition, the Company sells ethylene to MEGlobal as a raw material for its ethylene glycol plants in Canada. The impact of these sales to MEGlobal by operating segment is summarized below:

<b>Impact of Sales to MEGlobal by Operating Segment</b>			
Percent of segment sales	2007	2006	2005
Basic Chemicals	16%	15%	15%
Hydrocarbons and Energy	4%	4%	4%

Overall, transactions with other nonconsolidated affiliates and balances due to and due from these entities were not material to the consolidated financial statements.

**NOTE G – GOODWILL AND OTHER INTANGIBLE ASSETS**

The following table shows changes in the carrying amount of goodwill for the year ended December 31, 2007, by operating segment:

<b>Goodwill</b> In millions	<i>Performance Plastics</i>	<i>Performance Chemicals</i>	<i>Agricultural Sciences</i>	<i>Basic Plastics</i>	<i>Hydrocarbons and Energy</i>	<i>Total</i>
Balance at January 1, 2007	\$ 915	\$850	\$1,320	\$ 94	\$63	\$3,242
Goodwill related to 2007 acquisitions of:						
Additional 50% interest in Styron Asia Limited	-	-	-	6	-	6
Hyperlast Limited	71	-	-	-	-	71
Wolff Walsrode	-	201	-	-	-	201
Agromen Tecnologia Ltda	-	-	59	-	-	59
GNS Technologies, LLC	8	-	-	-	-	8
Poly-Carb, Inc.	7	-	-	-	-	7
Edufan A/S	17	-	-	-	-	17
UPPC AG	21	-	-	-	-	21
Other	(5)	(4)	1	-	-	(8)
Adjustments to goodwill related to 2006 acquisition of Zhejiang Omex Environmental Engineering Co. LTD	-	(52)	-	-	-	(52)
Balance at December 31, 2007	\$1,034	\$995	\$1,380	\$100	\$63	\$3,572

On May 1, 2007, Dow Chemical Company Limited, a wholly owned subsidiary of the Company, acquired Hyperlast Limited, British Vita's polyurethane systems business, for \$151 million. The recording of the acquisition resulted in goodwill of \$71 million and intangible assets of \$62 million as shown below. None of the goodwill is expected to be deductible for tax purposes.

<b>Hyperlast Limited Intangible Assets</b>	<i>Gross Carrying Amount</i>	<i>Weighted-average Amortization Period</i>
In millions		
Intangible assets with finite lives:		
Trademarks	\$10	15 years
Other (customer-related)	52	14 years
Total	\$62	14 years

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE G – Goodwill and Other Intangible Assets – Continued**

On June 30, 2007, the Company completed the acquisition of Wolff Walsrode. The recording of the acquisition resulted in goodwill of \$201 million and intangible assets of \$156 million as shown below. None of the goodwill is expected to be deductible for tax purposes. See Note C for additional information related to purchase price adjustments.

<b>Wolff Walsrode Intangible Assets</b>	<i>Estimated Gross Carrying Amount</i>	<i>Weighted-average Amortization Period</i>
In millions		
Intangible assets with finite lives:		
Intellectual property	\$ 46	10 years
Trademarks	6	10 years
Software	7	5 years
Other (customer-related)	97	5 years
Total	\$156	7 years

On July 11, 2006, FilmTec Corporation, a wholly owned subsidiary of the Company, completed the acquisition of Zhejiang Omex Environmental Engineering Co. LTD (“Omex”). The initial recording of the acquisition resulted in goodwill of \$100 million, none of which is expected to be deductible for tax purposes. In the second quarter of 2007, the Company completed the purchase price allocation related to the acquisition of Omex, resulting in the recording of \$51 million of intangible assets as follows:

<b>Omex Intangible Assets</b>	<i>Gross Carrying Amount</i>	<i>Weighted-average Amortization Period</i>
In millions		
Intangible assets with finite lives:		
Trademarks	\$23	10 years
Patents	19	17 years
Other	9	2-5 years
Total	\$51	11 years

On August 1, 2007, Dow AgroSciences acquired the corn seed business of Agromen Tecnologia Ltda for \$116 million. The recording of the acquisition resulted in goodwill of \$59 million and intellectual property of \$14 million with a weighted-average amortization period of six years. All of the goodwill is expected to be deductible for tax purposes.

*Goodwill Impairments*

During the fourth quarter of 2007, the Company performed impairment tests for goodwill in conjunction with its annual long-term financial planning process. As a result of this review, it was determined that no goodwill impairments existed.

*Other Intangible Assets*

The following table provides information regarding the Company’s other intangible assets:

<b>Other Intangible Assets at December 31</b>	<b>2007</b>			<b>2006</b>		
	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net</i>	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net</i>
In millions						
Intangible assets with finite lives:						
Licenses and intellectual property	\$ 302	\$(165)	\$137	\$ 234	\$(142)	\$ 92
Patents	145	(104)	41	148	(117)	31
Software	575	(318)	257	452	(269)	183
Trademarks	173	(51)	122	133	(40)	93
Other	307	(83)	224	110	(52)	58
Total other intangible assets	\$1,502	\$(721)	\$781	\$1,077	\$(620)	\$457



**The Dow Chemical Company and Subsidiaries**  
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During 2007, the Company acquired software for \$31 million. The weighted-average amortization period for the acquired software is five years.

In 2006, the Company wrote off obsolete technology assets (from "Licenses and intellectual property" in the above table) with a net book value of \$18 million in conjunction with other restructuring activities (see Note B). The write-off was included in "Restructuring charges" in the consolidated statements of income and reflected in the Performance Plastics segment (\$15 million) and Unallocated and Other (\$3 million).

In 2005, following a review of non-strategic and underperforming assets, the Company wrote off the \$10 million net book value of other intangible assets received in a 1992 acquisition. The charge was included in "Restructuring charges" in Unallocated and Other.

The following table provides information regarding amortization expense:

<b>Amortization Expense</b>			
In millions	2007	2006	2005
Other intangible assets, excluding software	\$72	\$50	\$55
Software, included in "Cost of sales"	\$47	\$45	\$45

Total estimated amortization expense for the next five fiscal years is as follows:

<b>Estimated Amortization Expense for Next Five Years</b>	
In millions	
2008	\$130
2009	\$121
2010	\$118
2011	\$107
2012	\$77

## **NOTE H – FINANCIAL INSTRUMENTS**

### **Investments**

The Company's investments in marketable securities are primarily classified as available-for-sale.

<b>Investing Results</b>			
In millions	2007	2006	2005
Proceeds from sales of available-for-sale securities	\$1,994	\$1,305	\$1,180
Gross realized gains	\$137	\$55	\$52
Gross realized losses	\$(23)	\$(42)	\$(19)

The following table summarizes the contractual maturities of the Company's investments in debt securities:

<b>Contractual Maturities of Debt Securities at December 31, 2007</b>		
In millions	<i>Amortized Cost</i>	<i>Fair Value</i>
Within one year	\$ 168	\$ 168
One to five years	415	424
Six to ten years	655	681
After ten years	262	280
Total	\$1,500	\$1,553

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE H – Financial Instruments – Continued**

**Fair Value of Financial Instruments at December 31**

In millions	2007				2006			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities (1):								
Debt securities	\$1,500	\$ 59	\$ (6)	\$1,553	\$1,436	\$16	\$(15)	\$1,437
Equity securities	696	55	(30)	721	645	48	(29)	664
Total marketable securities	\$2,196	\$114	\$(36)	\$2,274	\$2,081	\$64	\$(44)	\$2,101
Long-term debt including debt due within one year (2)	\$(8,167)	\$15	\$(346)	\$(8,498)	\$(9,327)	\$2	\$(380)	\$(9,705)
Derivatives relating to:								
Foreign currency	-	\$97	\$(24)	\$73	-	\$39	\$(57)	\$(18)
Interest rates	-	\$2	\$(2)	-	-	\$9	\$(20)	\$(11)
Commodities	-	\$71	\$(21)	\$50	-	\$29	\$(48)	\$(19)

(1) Included in "Marketable securities and interest-bearing deposits" and "Other investments" in the consolidated balance sheets.

(2) Cost includes fair value adjustments per SFAS No. 133 of \$26 million in 2007 and \$(20) million in 2006.

Cost approximates fair value for all other financial instruments.

The following tables provide the fair value and gross unrealized losses of the Company's investments that were deemed to be temporarily impaired at December 31, 2007 and 2006, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

**Temporarily Impaired Securities at December 31, 2007**

In millions	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Treasury obligations and direct obligations of U.S. government agencies	\$ 14	-	\$ 6	-	\$ 20	-
Federal agency mortgage-backed securities	-	-	4	-	4	-
Corporate bonds	104	\$ (3)	127	\$ (3)	231	\$ (6)
Other	-	-	6	-	6	-
Total debt securities	\$118	\$ (3)	\$143	\$ (3)	\$261	\$ (6)
Equity securities	220	(9)	27	(21)	247	(30)
Total temporarily impaired securities	\$338	\$(12)	\$170	\$(24)	\$508	\$(36)

**Temporarily Impaired Securities at December 31, 2006**

In millions	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Treasury obligations and direct obligations of U.S. government agencies	\$371	\$ (2)	\$149	\$ (3)	\$520	\$ (5)
Federal agency mortgage-backed securities	28	-	36	(1)	64	(1)
Corporate bonds	83	(2)	152	(5)	235	(7)
Other	10	-	63	(2)	73	(2)
Total debt securities	\$492	\$ (4)	\$400	\$(11)	\$892	\$(15)
Equity securities	86	(13)	20	(16)	106	(29)
Total temporarily impaired securities	\$578	\$(17)	\$420	\$(27)	\$998	\$(44)

## The Dow Chemical Company and Subsidiaries

### Notes to the Consolidated Financial Statements

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Portfolio managers and external investment managers regularly review all of the Company's holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the temporary impairment, as well as the length of time it has been impaired. In addition, specific guidelines for each instrument type are followed to determine if an other-than-temporary impairment has occurred.

For debt securities, the credit rating of the issuer, current credit rating trends and the trends of the issuer's overall sector are considered in determining impairment. As a matter of policy, the Company does not invest in debt securities that are below investment grade.

For equity securities, the Company's investment guidelines require investment in Standard & Poor's ("S&P") 500 companies and allow investment in up to 25 companies outside of the S&P 500. These holdings are primarily large cap stocks and, therefore, the likelihood of them becoming other-than-temporarily impaired is not as high as with other less established companies. The Company has the ability and the intent to hold these investments until they provide an acceptable return.

The aggregate cost of the Company's cost method investments totaled \$102 million at December 31, 2007 and \$80 million at December 31, 2006. Due to the nature of these investments, the fair market value for impairment testing is not readily determinable. These investments are reviewed for liquidation events. There were no material liquidation events or circumstances at December 31, 2007 that would result in an adjustment to the cost basis of these investments. Of the \$80 million cost method investments at December 31, 2006, none were liquidated during 2007.

#### **Risk Management**

The Company's risk management program for interest rate, foreign currency and commodity risks is based on fundamental, mathematical and technical models that take into account the implicit cost of hedging. Risks created by derivative instruments and the mark-to-market valuations of positions are strictly monitored at all times, using value at risk and stress tests. Credit risk arising from these contracts is not significant because the counterparties to the contracts are primarily major international financial institutions and, to a lesser extent, major chemical and petroleum companies. The Company does not anticipate losses from credit risk, and the net cash requirements arising from risk management activities are not expected to be material in 2008. The Company reviews its overall financial strategies and impacts from using derivatives in its risk management program with the Company's Executive Leadership Committee and the Board of Directors' Audit Committee and revises its strategies as market conditions dictate.

In addition, the Company minimizes concentrations of credit risk through its global orientation in diverse businesses with a large number of diverse customers and suppliers. No significant concentration of credit risk existed at December 31, 2007.

#### **Interest Rate Risk Management**

The Company enters into various interest rate contracts with the objective of lowering funding costs or altering interest rate exposures related to fixed and variable rate obligations. In these contracts, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount.

#### **Foreign Currency Risk Management**

The Company's global operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. Exposures primarily relate to assets, liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets, liabilities and future cash flows with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At December 31, 2007, the Company had forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies. These contracts, options and cross-currency swaps had various expiration dates, primarily in the first quarter of 2008.

#### **Commodity Risk Management**

The Company has exposure to the prices of commodities in its procurement of certain raw materials. The primary purpose of commodity hedging activities is to manage the price volatility associated with these forecasted inventory purchases. At December 31, 2007, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates in 2008 and 2009.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE H – Financial Instruments – Continued**

**Accounting for Derivative Instruments and Hedging Activities**

At December 31, 2007, the Company had no open interest rate swaps designated as fair value hedges of underlying fixed rate debt obligations. At December 31, 2006, the Company had interest rate swaps in a net loss position of \$12 million designated as fair value hedges of underlying fixed rate debt obligations. These hedges had various expiration dates in 2007 through 2011. The mark-to-market effects of both the fair value hedge instruments and the underlying debt obligations were recorded as unrealized gains and losses in interest expense and are directly offsetting to the extent the hedges are effective. The effective portion of the mark-to-market effects of cash flow hedge instruments is recorded in “Accumulated other comprehensive income (loss)” (“AOCI”) until the underlying interest payment affects income. The net loss from previously terminated interest rate cash flow hedges included in AOCI at December 31, 2007 was \$16 million after tax (\$25 million after tax at December 31, 2006). The amount to be reclassified from AOCI to interest expense within the next 12 months is expected to be a net loss of \$8 million after tax. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. Interest rate cash flow hedges outstanding at December 31, 2007 were immaterial. During 2007, 2006 and 2005, there was no material impact on the consolidated financial statements due to interest rate hedge ineffectiveness. Net gains recorded in interest expense related to fair value hedge terminations were \$10 million in 2007, \$16 million in 2006 and \$20 million in 2005. Unamortized losses relating to terminated fair value hedges were \$26 million at December 31, 2007 and unamortized gains relating to terminated fair value hedges were \$32 million at December 31, 2006. Net losses related to cash flow hedge terminations recorded in “Cost of sales” were \$11 million in 2007, 2006 and 2005.

Commodity swaps, futures and option contracts with maturities of not more than 36 months are utilized and designated as cash flow hedges of forecasted commodity purchases. Current open contracts hedge forecasted transactions until December 2009. The effective portion of the mark-to-market effect of the cash flow hedge instrument is recorded in AOCI until the underlying commodity purchase affects income. The net gain from commodity hedges included in AOCI at December 31, 2007 was \$48 million after tax (\$36 million after tax loss at December 31, 2006). A net after-tax gain of approximately \$31 million is expected to be reclassified from AOCI to “Cost of sales” in the consolidated statements of income within the next 12 months. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During 2007, 2006 and 2005, there was no material impact on the consolidated financial statements due to commodity hedge ineffectiveness.

In addition, the Company utilizes option and swap instruments that are effective as economic hedges of commodity price exposures, but do not meet the hedge accounting criteria of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended and interpreted. At December 31, 2007, the Company had derivative assets of \$3 million and derivative liabilities of \$6 million related to these instruments, with the related mark-to-market effects included in “Cost of sales” in the consolidated statements of income. At December 31, 2006, the Company had derivative assets of \$1 million and derivative liabilities of \$37 million related to these instruments.

At December 31, 2007, the Company had foreign currency forward contracts in a net loss position of \$4 million (\$2 million at December 31, 2006) designated as cash flow hedges of underlying forecasted purchases of feedstocks in Europe. Current open contracts hedge forecasted transactions until July 2008. The effective portion of the mark-to-market effects of the foreign currency forward contracts is recorded in AOCI until the underlying feedstock purchase affects income. The net loss from the foreign currency hedges included in AOCI at December 31, 2007 was \$4 million after tax (\$1 million after tax at December 31, 2006). A net after-tax loss of approximately \$4 million is expected to be reclassified from AOCI to “Cost of sales” in the consolidated statements of income within the next 12 months. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During 2007, 2006 and 2005, there was no material impact on the consolidated financial statements due to foreign currency hedge ineffectiveness.

The results of hedges of the Company’s net investment in foreign operations included in the cumulative translation adjustment in AOCI was a net loss of \$100 million after tax at December 31, 2007 (\$174 million after tax at December 31, 2006). During 2007, 2006 and 2005, there was no material impact on the consolidated financial statements due to hedge ineffectiveness.

Derivative assets, excluding commodity and foreign exchange derivative assets expected to settle in 2008, are included in “Deferred charges and other assets” in the consolidated balance sheets; commodity derivative assets expected to settle in 2008 are included in “Accounts and notes receivable – Other.” Foreign exchange derivative liabilities are included in “Accounts payable – Other;” other derivative liabilities are included in “Accrued and other current liabilities.” The short-cut method under SFAS No. 133 is being used when the criteria are met. The Company anticipates volatility in AOCI and net income from its cash flow hedges. The amount of volatility varies with the level of derivative activities and market conditions during any period. The Company also uses other derivative instruments that are not designated as hedging instruments, primarily to manage foreign currency and interest rate exposure, the impact of which was not material to the consolidated financial statements.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE I – SUPPLEMENTARY INFORMATION**

**Accrued and Other Current Liabilities**

“Accrued and other current liabilities” were \$2,512 million at December 31, 2007 and \$2,215 million at December 31, 2006. Accrued payroll, which is a component of “Accrued and other current liabilities,” was \$704 million at December 31, 2007 and \$435 million at December 31, 2006. No other component of accrued liabilities was more than 5 percent of total current liabilities.

<b>Sundry Income – Net</b>			
In millions	2007	2006	2005
Gain on sales of assets and securities (1)	\$171	\$156	\$806
Foreign exchange gain	73	21	20
Dividend income	9	6	7
Other – net (2)	71	(46)	(78)
<b>Total sundry income – net</b>	<b>\$324</b>	<b>\$137</b>	<b>\$755</b>

(1) 2005 included a gain of \$637 million on the sale of Union Carbide’s indirect 50 percent interest in UOP and a gain of \$70 million on the sale of a 2.5 percent interest in EQUATE.

(2) 2006 included the recognition of a loss contingency of \$85 million related to a fine imposed by the European Commission associated with synthetic rubber industry matters (see Note J for additional information). 2005 included a cash donation of \$100 million to The Dow Chemical Company Foundation.

<b>Other Supplementary Information</b>			
In millions	2007	2006	2005
Cash payments for interest	\$671	\$673	\$788
Cash payments for income taxes	\$966	\$1,390	\$848
Provision for doubtful receivables (1)	\$2	\$(20)	\$58

(1) Included in “Selling, general and administrative expenses” in the consolidated statements of income.

<b>Earnings Per Share Calculations</b>						
In millions, except per share amounts	2007		2006		2005	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income before cumulative effect of change in accounting principle	\$2,887	\$2,887	\$3,724	\$3,724	\$4,535	\$4,535
Cumulative effect of change in accounting principle	-	-	-	-	(20)	(20)
Net income available for common stockholders	\$2,887	\$2,887	\$3,724	\$3,724	\$4,515	\$4,515
Weighted-average common shares outstanding	953.1	953.1	962.3	962.3	963.2	963.2
Add dilutive effect of stock options and awards	-	12.5	-	12.1	-	13.6
Weighted-average common shares for EPS calculations	953.1	965.6	962.3	974.4	963.2	976.8
Earnings per common share before cumulative effect of change in accounting principle	\$3.03	\$2.99	\$3.87	\$3.82	\$4.71	\$4.64
Earnings per common share	\$3.03	\$2.99	\$3.87	\$3.82	\$4.69	\$4.62
Stock options and deferred stock awards excluded from EPS calculations (1)	-	21.9	-	17.8	-	5.1

(1) Outstanding options to purchase shares of common stock and deferred stock awards that were not included in the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE I – Supplementary Information – Continued**

**Sales of Accounts Receivable**

Since 1997, the Company has routinely sold, without recourse, a participation in pools of qualifying trade accounts receivable. According to the agreements of the various programs, Dow maintains the servicing of these receivables. As receivables in the pools are collected, new receivables are added. The maximum amount of receivables available for sale in the pools was \$2,324 million in 2007, \$1,658 million in 2006 and \$1,593 million in 2005. The average monthly participation in the pools was \$271 million in 2007, \$135 million in 2006 and \$349 million in 2005.

The net cash flow in any given period represents the discount on sales, which is recorded as interest expense. The average monthly discount was not material in 2007, 2006 and 2005.

**NOTE J – COMMITMENTS AND CONTINGENT LIABILITIES**

**Litigation**

*Breast Implant Matters*

On May 15, 1995, Dow Corning Corporation (“Dow Corning”), in which the Company is a 50 percent shareholder, voluntarily filed for protection under Chapter 11 of the Bankruptcy Code to resolve litigation related to Dow Corning’s breast implant and other silicone medical products. On June 1, 2004, Dow Corning’s Joint Plan of Reorganization (the “Joint Plan”) became effective and Dow Corning emerged from bankruptcy. The Joint Plan contains release and injunction provisions resolving all tort claims brought against various entities, including the Company, involving Dow Corning’s breast implant and other silicone medical products.

To the extent not previously resolved in state court actions, cases involving Dow Corning’s breast implant and other silicone medical products filed against the Company were transferred to the U.S. District Court for the Eastern District of Michigan (the “District Court”) for resolution in the context of the Joint Plan. On October 6, 2005, all such cases then pending in the District Court against the Company were dismissed. Should cases involving Dow Corning’s breast implant and other silicone medical products be filed against the Company in the future, they will be accorded similar treatment. It is the opinion of the Company’s management that the possibility is remote that a resolution of all future cases will have a material adverse impact on the Company’s consolidated financial statements.

As part of the Joint Plan, Dow and Corning Incorporated have agreed to provide a credit facility to Dow Corning in an aggregate amount of \$300 million. The Company’s share of the credit facility is \$150 million and is subject to the terms and conditions stated in the Joint Plan. At December 31, 2007, no draws had been taken against the credit facility.

*DBCP Matters*

Numerous lawsuits have been brought against the Company and other chemical companies, both inside and outside of the United States, alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane (“DBCP”) has caused personal injury and property damage, including contamination of groundwater. It is the opinion of the Company’s management that the possibility is remote that the resolution of such lawsuits will have a material adverse impact on the Company’s consolidated financial statements.

*Environmental Matters*

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. At December 31, 2007, the Company had accrued obligations of \$322 million for environmental remediation and restoration costs, including \$28 million for the remediation of Superfund sites. This is management’s best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies for handling site remediation and restoration. At December 31, 2006, the Company had accrued obligations of \$347 million for environmental remediation and restoration costs, including \$31 million for the remediation of Superfund sites.

The following table summarizes the activity in the Company’s accrued obligations for environmental matters for the years ended December 31, 2007 and 2006:

<b>Accrued Obligations for Environmental Matters</b>		
In millions	2007	2006
Balance at January 1	\$ 347	\$ 339
Additional accruals	113	130
Charges against reserve	(152)	(124)
Adjustments to reserve	14	2
Balance at December 31	\$ 322	\$ 347

## The Dow Chemical Company and Subsidiaries

### Notes to the Consolidated Financial Statements

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The amounts charged to income on a pretax basis related to environmental remediation totaled \$92 million in 2007, \$125 million in 2006 and \$79 million in 2005. Capital expenditures for environmental protection were \$189 million in 2007, \$193 million in 2006 and \$150 million in 2005.

#### *Midland Site Environmental Matters*

On June 12, 2003, the Michigan Department of Environmental Quality ("MDEQ") issued a Hazardous Waste Operating License (the "License") to the Company's Midland, Michigan manufacturing site (the "Midland site"), which included provisions requiring the Company to conduct an investigation to determine the nature and extent of off-site contamination in Midland area soils; Tittabawassee and Saginaw River sediment and floodplain soils; and Saginaw Bay. The License required the Company, by August 11, 2003, to propose a detailed Scope of Work for the off-site investigation for the City of Midland and the Tittabawassee River and floodplain for review and approval by the MDEQ. Revised Scopes of Work were approved by the MDEQ on October 18, 2005. The Company was required to submit a Scope of Work for the investigation of the Saginaw River and Saginaw Bay by August 11, 2007. The Company submitted the Scope of Work for the Saginaw River and Saginaw Bay on July 13, 2007. The Company received a Notice of Deficiency dated August 29, 2007, from the MDEQ with respect to the Scope of Work for the Saginaw River and Saginaw Bay. The Company submitted a revised Scope of Work for the Saginaw River and Saginaw Bay to the MDEQ on October 15, 2007.

Discussions between the Company and the MDEQ that occurred in 2004 and early 2005 regarding how to proceed with off-site corrective action under the License resulted in the execution of the Framework for an Agreement Between the State of Michigan and The Dow Chemical Company (the "Framework") on January 20, 2005. The Framework committed the Company to propose a remedial investigation work plan by the end of 2005, conduct certain studies, and take certain immediate interim remedial actions in the City of Midland and along the Tittabawassee River.

#### *Remedial Investigation Work Plans*

The Company submitted Remedial Investigation Work Plans for the City of Midland and for the Tittabawassee River on December 29, 2005. By letters dated March 2, 2006 and April 13, 2006, the MDEQ provided two Notices of Deficiency ("Notices") to the Company regarding the Remedial Investigation Work Plans. The Company responded, as required, to some of the items in the Notices on May 1, 2006, and as required responded to the balance of the items and submitted revised Remedial Investigation Work Plans on December 1, 2006. In response to subsequent discussions with the MDEQ, the Company submitted further revised Remedial Investigation Work Plans on September 17, 2007, for the Tittabawassee River and on October 15, 2007, for the City of Midland.

#### *Studies Conducted*

On July 12, 2006, the MDEQ approved the sampling for the first six miles of the Tittabawassee River. On December 1, 2006, the MDEQ approved the Sampling and Analysis Plan in Support of Bioavailability Study for Midland (the "Plan"). The results of the Plan were provided to the MDEQ on March 22, 2007. On May 3, 2007, the MDEQ approved the GeoMorph® Pilot Site Characterization Report for the first six miles and approved this approach for the balance of the Tittabawassee River with some qualifications. On July 12, 2007, the MDEQ approved, with qualifications, the sampling for the next 11 miles of the Tittabawassee River.

#### *Interim Remedial Actions*

The Company has been working with the MDEQ to implement Interim Response Activities and Pilot Corrective Action Plans in specific areas in and along the Tittabawassee River, where elevated levels of dioxins and furans were found during the investigation of the first six miles of the river.

#### *Removal Actions*

On June 27, 2007, the U.S. Environmental Protection Agency ("EPA") sent a letter to the Company demanding that the Company enter into consent orders under Section 106 of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") for three areas identified during investigation of the first six miles of the Tittabawassee River as areas for interim remedial actions under MDEQ oversight. The EPA sought a commitment that the Company immediately engage in remedial actions to remove soils and sediments. Three removal orders were negotiated and were signed on July 12, 2007, and the soil and sediment required to be removed by these orders has been completed. On November 15, 2007, the Company and the EPA entered into a CERCLA removal order requiring the Company to remove sediment in the Saginaw River where elevated concentrations were identified during investigative work conducted on the Saginaw River. The sediment removal work was completed in December 2007.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE J – Commitments and Contingent Liabilities – Continued**

The Framework also contemplates that the Company, the State of Michigan and other federal and tribal governmental entities will negotiate the terms of an agreement or agreements to resolve potential governmental claims against the Company related to historical off-site contamination associated with the Midland site. The Company and the governmental parties began to meet in the fall of 2005 and entered into a Confidentiality Agreement in December 2005. The Company continues to conduct negotiations with the governmental parties under the Federal Alternative Dispute Resolution Act.

On September 12, 2007, the EPA issued a press release reporting that they were withdrawing from the alternative dispute resolution process. On September 28, 2007, the Company entered into a Funding and Participation Agreement with the natural resource damage trustees that addressed the Company's payment of past costs incurred by the trustees, payment of the costs of a trustee coordinator and a process to review additional cooperative studies that the Company might agree to fund or conduct with the natural resource damage trustees.

On October 10, 2007, the EPA presented a Special Notice letter to the Company offering to enter into negotiations for an administrative order on consent for the Company to conduct or fund a remedial investigation, a feasibility study, interim remedial actions and a remedial design for the Tittabawassee River, Saginaw River, and Saginaw Bay. The Company agreed to enter into negotiations and submitted its Good Faith Offer to the EPA on December 10, 2007. On January 4, 2008, the EPA terminated negotiations under the Special Notice Letter.

At the end of 2007, the Company had an accrual for off-site corrective action of \$5 million (included in the total accrued obligation of \$322 million at December 31, 2007) based on the range of activities that the Company proposed and discussed implementing with the MDEQ and which is set forth in the Framework. At December 31, 2006, the accrual for off-site corrective action was \$7 million (included in the total accrued obligation of \$347 million at December 31, 2006).

*Environmental Matters Summary*

It is the opinion of the Company's management that the possibility is remote that costs in excess of those disclosed will have a material adverse impact on the Company's consolidated financial statements.

*Asbestos-Related Matters of Union Carbide Corporation*

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide's premises, and Union Carbide's responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide's products.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

Based on a study completed by Analysis, Research & Planning Corporation ("ARPC") in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide's historical asbestos claim and resolution activity each November since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2006, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its most recent study from January 2003. In response to that request, ARPC reviewed and analyzed data through October 31, 2006 and concluded that the experience from 2004 through 2006 was sufficient for the purpose of forecasting future filings and values of asbestos claims filed against Union Carbide and Amchem, and could be used in place of previous assumptions to update its January 2003 study. The resulting study, completed by ARPC in December 2006, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2021 was estimated to be between approximately \$1.2 billion and \$1.5 billion. As in its January 2003 and January 2005 studies, ARPC provided estimates for a longer period of time in its December 2006 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.



**The Dow Chemical Company and Subsidiaries**  
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Based on ARPC's December 2006 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to \$1.2 billion at December 31, 2006 which covered the 15-year period ending in 2021, excluding future defense and processing costs. The reduction was \$177 million and was shown as "Asbestos-related credit" in the consolidated statements of income for 2006.

In November 2007, Union Carbide requested ARPC to review Union Carbide's 2007 asbestos claim and resolution activity and determine the appropriateness of updating its December 2006 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2007. In December 2007, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required. At December 31, 2007, Union Carbide's asbestos-related liability for pending and future claims was \$1.1 billion.

At December 31, 2007, approximately 31 percent of the recorded liability related to pending claims and approximately 69 percent related to future claims. At December 31, 2006, approximately 25 percent of the recorded liability related to pending claims and approximately 75 percent related to future claims.

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide's insurance policies and to resolve issues that the insurance carriers may raise.

In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds. This lawsuit was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Although the lawsuit is continuing, through the end of 2007, Union Carbide has reached settlements with several of the carriers involved in this litigation.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$467 million at December 31, 2007 and \$495 million at December 31, 2006. At December 31, 2007 and December 31, 2006, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

<b>Receivables for Costs Submitted to Insurance Carriers at December 31</b>		
In millions	2007	2006
Receivables for defense costs	\$ 18	\$ 34
Receivables for resolution costs	253	266
Total	\$271	\$300

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$84 million in 2007, \$45 million in 2006 and \$75 million in 2005, and was reflected in "Cost of sales."

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

## The Dow Chemical Company and Subsidiaries

### Notes to the Consolidated Financial Statements

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#### NOTE J – Commitments and Contingent Liabilities – Continued

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material adverse impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material adverse impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

#### *Synthetic Rubber Industry Matters*

In 2003, the U.S., Canadian and European competition authorities initiated separate investigations into alleged anticompetitive behavior by certain participants in the synthetic rubber industry. Certain subsidiaries of the Company (but as to the investigation in Europe only) have responded to requests for documents and are otherwise cooperating in the investigations.

On June 10, 2005, the Company received a Statement of Objections from the European Commission (the "EC") stating that it believed that the Company and certain subsidiaries of the Company (the "Dow Entities"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the butadiene rubber and emulsion styrene butadiene rubber businesses. In connection therewith, on November 29, 2006, the EC issued its decision alleging infringement of Article 81 of the Treaty of Rome and imposed a fine of Euro 64.575 million (approximately \$85 million) on the Dow Entities. Several other companies were also named and fined. Subsequently, the Company has been named in various related U.S. civil actions. In the fourth quarter of 2006, the Company recognized a loss contingency of \$85 million related to the fine. The Company has appealed the EC's decision.

Additionally, on March 10, 2007, the Company received a Statement of Objections from the EC stating that it believed that DuPont Dow Elastomers L.L.C. ("DDE"), a former 50:50 joint venture with E.I. du Pont de Nemours and Company ("DuPont"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the polychloroprene business. This Statement of Objections specifically names the Company, in its capacity as a former joint venture owner of DDE. On December 5, 2007, the EC announced its decision to impose a fine on the Company, among others, in the amount of Euro 48.675 million (approximately \$72 million). The Company previously transferred its joint venture ownership interest in DDE to DuPont in 2005, and DDE then changed its name to DuPont Performance Elastomers L.L.C. ("DPE"). Based on agreements reached between the Company and DuPont in 2004, DuPont will determine DPE's response to this decision, including whether to appeal, while the Company will determine its response, including whether to appeal. Further, based on the Company's allocation agreement with DuPont, the Company's share of this fine, regardless of any appeal, will not have a material adverse impact on the Company's consolidated financial statements.

#### *Polyurethane Subpoena Matter*

On February 16, 2006, the Company, among others, received a subpoena from the U.S. Department of Justice ("DOJ") as part of an antitrust investigation of polyurethane chemicals, including methylene diphenyl diisocyanate, toluene diisocyanate and polyols. On December 10, 2007, the Company received notice from the DOJ that it has closed its investigation of potential antitrust violations involving these products.

#### *Other Litigation Matters*

In addition to breast implant, DBCP, environmental, synthetic rubber industry, and polyurethane subpoena matters, the Company is party to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies provide coverage that will be utilized to minimize the impact, if any, of the contingencies described above.

#### *Summary*

Except for the possible effect of Union Carbide's asbestos-related liability described above, it is the opinion of the Company's management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the Company's consolidated financial statements.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**Purchase Commitments**

The Company has numerous agreements for the purchase of ethylene-related products globally. The purchase prices are determined primarily on a cost-plus basis. Total purchases under these agreements were \$1,624 million in 2007, \$1,356 million in 2006 and \$1,175 million in 2005. The Company's take-or-pay commitments associated with these agreements at December 31, 2007 are included in the table below.

The Company also has various commitments for take or pay and throughput agreements. Such commitments are at prices not in excess of current market prices. The terms of all but one of these agreements extend from one to 25 years. One agreement has terms extending to 80 years. The determinable future commitment for this agreement is included for 10 years in the following table which presents the fixed and determinable portion of obligations under the Company's purchase commitments at December 31, 2007:

<b>Fixed and Determinable Portion of Take or Pay and Throughput Obligations at December 31, 2007</b>	
In millions	
2008	\$ 2,136
2009	1,845
2010	1,578
2011	1,117
2012	941
2013 and beyond	5,212
<b>Total</b>	<b>\$12,829</b>

In addition to the take or pay obligations at December 31, 2007, the Company had outstanding commitments which ranged from one to six years for steam, electrical power, materials, property and other items used in the normal course of business of approximately \$234 million. Such commitments were at prices not in excess of current market prices.

**Guarantees**

The Company provides a variety of guarantees, as described more fully in the following sections.

*Guarantees*

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others (via delivery of cash or other assets) if specified triggering events occur. With guarantees, such as commercial or financial contracts, non-performance by the guaranteed party triggers the obligation of the Company to make payments to the beneficiary of the guarantee. The majority of the Company's guarantees relates to debt of nonconsolidated affiliates, which have expiration dates ranging from less than one year to eight years, and trade financing transactions in Latin America and Asia Pacific, which typically expire within one year of their inception.

*Residual Value Guarantees*

The Company provides guarantees related to leased assets specifying the residual value that will be available to the lessor at lease termination through sale of the assets to the lessee or third parties.

The following tables provide a summary of the final expiration, maximum future payments and recorded liability reflected in the consolidated balance sheets for each type of guarantee:

<b>Guarantees at December 31, 2007</b>	<i>Final</i>	<i>Maximum Future</i>	<i>Recorded</i>
In millions	<i>Expiration</i>	<i>Payments</i>	<i>Liability</i>
Guarantees	2014	\$ 354	\$22
Residual value guarantees	2015	1,035	5
<b>Total guarantees</b>		<b>\$1,389</b>	<b>\$27</b>

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE J – Commitments and Contingent Liabilities – Continued**

<b>Guarantees at December 31, 2006</b>	<i>Final</i>	<i>Maximum Future</i>	<i>Recorded</i>
In millions	<i>Expiration</i>	<i>Payments</i>	<i>Liability</i>
Guarantees	2014	\$ 340	\$20
Residual value guarantees	2015	1,044	6
Total guarantees		\$1,384	\$26

**Asset Retirement Obligations**

The Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States, Canada and Europe; capping activities at landfill sites in the United States, Canada, Italy and Brazil; and asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada and Europe. See Note A for additional information.

The aggregate carrying amount of asset retirement obligations recognized by the Company was \$116 million at December 31, 2007 and \$106 million at December 31, 2006.

The following table shows changes in the aggregate carrying amount of the Company's asset retirement obligations:

<b>Asset Retirement Obligations</b>	<i>2007</i>	<i>2006</i>
In millions		
Balance at January 1	\$106	\$ 92
Additional accruals	25	22
Liabilities settled	(22)	(12)
Accretion expense	1	2
Revisions in estimated cash flows	-	-
Other	6	2
Balance at December 31	\$116	\$106

In accordance with FIN No. 47, the Company has recognized conditional asset retirement obligations related to asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada and Europe. At December 31, 2007, the aggregate carrying amount of conditional asset retirement obligations recognized by the Company was \$45 million (\$49 million at December 31, 2006).

The discount rate used to calculate the Company's asset retirement obligations at December 31, 2007 was 5.08 percent (4.6 percent at December 31, 2006). These obligations are included in the consolidated balance sheets as "Other noncurrent obligations."

As described in Note A, the Company has not recognized conditional asset retirement obligations for which a fair value cannot be reasonably estimated in its consolidated financial statements. It is the opinion of the Company's management that the possibility is remote that such conditional asset retirement obligations, when estimable, will have a material adverse impact on the Company's consolidated financial statements based on current costs.

**NOTE K – NOTES PAYABLE, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES**

<b>Notes Payable at December 31</b>	<i>2007</i>	<i>2006</i>
In millions		
Commercial paper	\$1,162	-
Notes payable to banks	321	\$186
Notes payable to related companies	65	33
Total notes payable	\$1,548	\$219
Year-end average interest rates	5.27%	5.28%

**The Dow Chemical Company and Subsidiaries**  
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<b>Long-Term Debt at December 31</b>		<b>2007</b>		<b>2006</b>	
		<i>Average</i>		<i>Average</i>	
In millions		<i>Rate</i>	<i>2007</i>	<i>Rate</i>	<i>2006</i>
Promissory notes and debentures:					
Final maturity 2007	-	-	5.04%	\$	510
Final maturity 2008	5.75%	\$ 497	5.75%		494
Final maturity 2009	6.76%	686	6.75%		688
Final maturity 2010	9.13%	276	9.13%		278
Final maturity 2011	6.13%	808	6.13%		806
Final maturity 2012	6.00%	909	6.00%		911
Final maturity 2013 and thereafter	7.57%	2,020	7.56%		2,003
Other facilities:					
U.S. dollar loans – various rates and maturities	5.23%	1	0.34%		1
Foreign currency loans – various rates and maturities	3.13%	58	0.66%		40
Medium-term notes, varying maturities through 2022	6.17%	576	5.92%		748
Foreign medium-term notes, various rates and maturities	4.13%	1	5.38%		1
Foreign medium-term notes, final maturity 2007, Euro	-	-	5.63%		666
Foreign medium-term notes, final maturity 2010, Euro	4.37%	587	4.37%		524
Foreign medium-term notes, final maturity 2011, Euro	4.63%	718	4.63%		645
Pollution control/industrial revenue bonds, varying maturities through 2033	4.84%	1,004	5.09%		1,006
Capital lease obligations	-	50	-		40
Unamortized debt discount	-	(24)	-		(34)
Long-term debt due within one year	-	(586)	-		(1,291)
Total long-term debt	-	\$7,581	-		\$ 8,036

**Annual Installments on Long-Term Debt  
for Next Five Years**

In millions	
2008	\$586
2009	\$777
2010	\$1,065
2011	\$1,548
2012	\$1,006

At December 31, 2007, the Company had an unused and committed \$3 billion 5-year revolving credit facility with various U.S. and foreign banks, with a maturity date of April 2011, in support of its commercial paper borrowings and working capital requirements.

The Company's outstanding public debt of \$8.2 billion has been issued under indentures which contain, among other provisions, covenants with which the Company must comply while the underlying notes are outstanding. Such covenants include obligations to not allow liens on principal U.S. manufacturing facilities, enter into sale and lease-back transactions with respect to principal U.S. manufacturing facilities, or merge or consolidate with any other corporation or sell or convey all or substantially all of the Company's assets. Failure of the Company to comply with any of these covenants could result in a default under the applicable indenture which would allow the note holders to accelerate the due date of the outstanding principal and accrued interest on the subject notes.

The Company's primary credit agreements contain covenant and default provisions in addition to the covenants set forth above with respect to the Company's public debt. Significant other covenants and defaults include:

- (a) the obligation to maintain the ratio of the Company's consolidated indebtedness to consolidated capitalization at no greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the primary credit agreements exceeds \$500 million,

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE K – Notes Payable, Long-Term Debt and Available Credit Facilities – Continued**

- (b) a default if the Company or an applicable subsidiary fails to make any payment on indebtedness of \$50 million or more when due, or any other default under the applicable agreement permits the acceleration of \$200 million or more of principal, or results in the acceleration of \$100 million or more of principal, and
- (c) a default if the Company or any applicable subsidiary fails to discharge or stay within 30 days after the entry of a final judgment of more than \$200 million.

Failure of the Company to comply with any of the covenants could result in a default under the applicable credit agreement which would allow the lenders to not fund future loan requests and to accelerate the due date of the outstanding principal and accrued interest on any outstanding loans.

At December 31, 2007, the Company was in compliance with all of the covenants and default provisions referred to above.

**NOTE L – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS**

**Pension Plans**

The Company has defined benefit pension plans that cover employees in the United States and a number of other countries. The U.S. qualified plan covering the parent company is the largest plan. Benefits are based on length of service and the employee's three highest consecutive years of compensation. Employees hired after January 1, 2008 will participate in a new pension plan, under which benefits will be based on a set percentage of annual pay, plus interest.

The Company's funding policy is to contribute to those plans when pension laws and/or economics either require or encourage funding. In 2007, Dow contributed \$183 million to its pension plans, including contributions to fund benefit payments for its non-qualified supplemental plans. Dow expects to contribute \$175 million to its pension plans in 2008.

The weighted-average assumptions used to determine pension plan obligations and net periodic benefit costs for the plans are provided in the two tables below:

Weighted Average Assumptions for All Pension Plans	Benefit Obligations at December 31		Net Periodic Costs for the Year	
	2007	2006	2007	2006
Discount rate	6.30%	5.59%	5.56%	5.39%
Rate of increase in future compensation levels	4.13%	4.15%	4.12%	4.27%
Expected long-term rate of return on plan assets	-	-	8.30%	7.96%

Weighted-Average Assumptions for U.S. Pension Plans	Benefit Obligations at December 31		Net Periodic Costs for the Year	
	2007	2006	2007	2006
Discount rate	6.75%	5.98%	5.98%	5.72%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	-	-	8.79%	8.75%

The Company determines the expected long-term rate of return on plan assets by performing a detailed analysis of historical and expected returns based on the strategic asset allocation approved by the Board of Directors and the underlying return fundamentals of each asset class. The Company's historical experience with the pension fund asset performance is also considered. The discount rates utilized to measure the pension and other postretirement obligations of the U.S. qualified plans are based on the yield on high-quality fixed income investments at the measurement date. Future expected actuarially determined cash flows of Dow's major U.S. plans are matched against the Citigroup Pension Discount Curve (Above Median) to arrive at a single discount rate by plan.

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was \$14.7 billion at December 31, 2007 and \$15.0 billion at December 31, 2006.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets at December 31		
In millions	2007	2006
Projected benefit obligation	\$1,843	\$1,493
Accumulated benefit obligation	\$1,677	\$1,339
Fair value of plan assets	\$314	\$139

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

In addition to the U.S. qualified plan, U.S. employees are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation, which is partially matched by the Company. Defined contribution plans also cover employees in some subsidiaries in other countries, including Argentina, Australia, Brazil, Spain and the United Kingdom. Contributions charged to income for defined contribution plans were \$125 million in 2007, \$84 million in 2006 and \$66 million in 2005.

**Other Postretirement Benefits**

The Company provides certain health care and life insurance benefits to retired employees. The Company's plans outside of the United States are insignificant; therefore, this discussion relates to the U.S. plans only. The plans provide health care benefits, including hospital, physicians' services, drug and major medical expense coverage, and life insurance benefits. For employees hired before January 1, 1993, the plans provide benefits supplemental to Medicare when retirees are eligible for these benefits. The Company and the retiree share the cost of these benefits, with the Company portion increasing as the retiree has increased years of credited service, although there is a cap on the Company portion. The Company has the ability to change these benefits at any time. Employees hired after January 1, 2008 are not covered under the plans.

The Company funds most of the cost of these health care and life insurance benefits as incurred. In 2007, Dow did not make any contributions to its other postretirement benefit plan trusts. Likewise, Dow does not expect to contribute assets to its other postretirement benefits plan trusts in 2008.

The weighted-average assumptions used to determine other postretirement benefit obligations and net periodic benefit costs for the U.S. plans are provided below:

<b>U.S. Plan Assumptions for Other Postretirement Benefits</b>	<i>Benefit Obligations at December 31</i>		<i>Net Periodic Costs for the Year</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Discount rate	6.57%	5.89%	5.89%	5.60%
Expected long-term rate of return on plan assets	-	-	9.00%	8.75%
Initial health care cost trend rate	10.30%	8.79%	8.79%	9.50%
Ultimate health care cost trend rate	6.00%	6.00%	6.00%	6.00%
Year ultimate trend rate to be reached	2014	2011	2011	2011

Increasing the assumed medical cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2007 by \$31 million and the net periodic postretirement benefit cost for the year by \$2 million. Decreasing the assumed medical cost trend rate by one percentage point in each year would decrease the accumulated postretirement benefit obligation at December 31, 2007 by \$28 million and the net periodic postretirement benefit cost for the year by \$1 million.

**Impact of Remeasurements**

An expense remeasurement of the Company's pension and other postretirement benefit plans was completed in the third quarter of 2006, due to curtailments as defined in SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," related to workforce reductions (see Note B). The remeasurement in the third quarter of 2006 resulted in a \$3 million increase in net periodic pension cost for 2006.

**Adoption of SFAS No. 158**

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." As required, the Company adopted this statement effective December 31, 2006. The following table provides a breakdown of the incremental effect of applying this statement on individual line items in the consolidated balance sheet at December 31, 2006:

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE L – Pension Plans and Other Postretirement Benefits – Continued**

<b>Incremental Effect of Applying SFAS No. 158</b>			
In millions	<i>Before Application of SFAS No. 158</i>	<i>Incremental Effect of Applying SFAS No. 158</i>	<i>After Application of SFAS No. 158</i>
Deferred income tax assets – current	\$228	\$ (35)	\$193
Investment in nonconsolidated affiliates	\$2,829	(94)	\$2,735
Deferred income tax assets – noncurrent	\$2,973	1,033	\$4,006
Deferred charges and other assets	\$3,586	(2,532)	\$1,054
Total Assets	\$47,209	\$(1,628)	\$45,581
Accrued and other current liabilities	\$2,309	\$ (94)	\$2,215
Pension and other postretirement benefits – noncurrent	\$2,601	493	\$3,094
Accumulated other comprehensive loss (“AOCI”)	\$(208)	(2,027)	\$(2,235)
Total Liabilities and Stockholders’ Equity	\$47,209	\$(1,628)	\$45,581

<b>Net Periodic Benefit Cost for All Significant Plans</b>						
In millions	<i>Defined Benefit Pension Plans</i>			<i>Other Postretirement Benefits</i>		
	2007	2006	2005	2007	2006	2005
Service cost	\$ 289	\$ 288	\$ 279	\$ 21	\$ 22	\$ 24
Interest cost	881	827	815	113	115	124
Expected return on plan assets	(1,179)	(1,100)	(1,056)	(34)	(27)	(27)
Amortization of prior service cost (credit)	23	22	24	(4)	(4)	(7)
Amortization of unrecognized loss	191	222	123	3	7	10
Termination benefits/curtailment cost (1)	11	33	2	6	-	6
Net periodic benefit cost	\$ 216	\$ 292	\$ 187	\$105	\$113	\$130

(1) See Note B for information regarding termination benefits/curtailment costs recorded in 2007 and 2006.

<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income</b>		
In millions	<i>Defined Benefit Pension Plans</i>	<i>Other Postretirement Benefits</i>
	2007	2007
Net gain	\$(1,593)	\$(201)
Prior service cost	140	2
Amortization of prior service cost (credit)	(23)	4
Amortization of unrecognized loss	(191)	(3)
Total recognized in other comprehensive income	(1,667)	(198)
Total recognized in net periodic benefit cost and other comprehensive income	\$(1,451)	\$ (93)



**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

<b>Change in Projected Benefit Obligation, Plan Assets and Funded Status of All Significant Plans</b>				
In millions	<i>Defined</i>		<i>Other</i>	
	<i>Benefit Pension Plans</i>		<i>Postretirement Benefits</i>	
<i>Change in projected benefit obligation</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Benefit obligation at beginning of year	\$15,850	\$15,617	\$2,057	\$2,168
Service cost	289	288	21	22
Interest cost	881	827	113	115
Plan participants' contributions	23	33	-	-
Amendments	143	72	1	29
Actuarial changes in assumptions and experience	(1,354)	(580)	(186)	(60)
Acquisition/divestiture/other activity	140	85	-	(55)
Benefits paid	(918)	(848)	(146)	(164)
Currency impact	553	327	23	2
Termination benefits/curtailment cost (credit)	(3)	29	7	-
Benefit obligation at end of year	\$15,604	\$15,850	\$1,890	\$2,057
<i>Change in plan assets</i>				
Fair value of plan assets at beginning of year	\$14,958	\$13,324	\$ 383	\$ 377
Actual return on plan assets	1,424	1,577	49	44
Currency impact	437	241	-	-
Employer contributions	183	575	-	26
Plan participants' contributions	19	28	-	-
Acquisition/divestiture/other activity	27	61	-	(64)
Benefits paid	(918)	(848)	-	-
Fair value of plan assets at end of year	\$16,130	\$14,958	\$ 432	\$ 383
Funded status at end of year	\$526	\$(892)	\$(1,458)	\$(1,674)
<i>Net Amounts recognized in the consolidated balance sheets at December 31:</i>				
Noncurrent assets	\$ 2,080	\$ 541	-	-
Current liabilities	(43)	(40)	\$ (58)	\$ (60)
Noncurrent liabilities	(1,511)	(1,393)	(1,400)	(1,614)
Net amounts recognized in the consolidated balance sheets	\$ 526	\$(892)	\$(1,458)	\$(1,674)
<i>Amounts recognized in AOCI – pretax at December 31:</i>				
Net loss	\$1,065	\$2,849	\$ 3	\$207
Prior service cost (credit)	273	156	(20)	(26)
Balance in AOCI at end of year – pretax	\$1,338	\$3,005	\$(17)	\$181

In 2008, an estimated net loss of \$39 million and prior service cost of \$31 million for the defined benefit pension plans will be amortized from AOCI to net periodic benefit cost. In 2008, prior service credit of \$4 million for other postretirement benefit plans will be amortized from AOCI to net periodic benefit cost.

The Company uses a December 31 measurement date for all of its plans.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE L – Pension Plans and Other Postretirement Benefits – Continued**

**Estimated Future Benefit Payments**

The estimated future benefit payments, reflecting expected future service, as appropriate, are presented in the following table:

<b>Estimated Future Benefit Payments at December 31, 2007</b>		
	<i>Defined Benefit</i>	<i>Other</i>
	<i>Pension</i>	<i>Postretirement</i>
In millions	<i>Plans</i>	<i>Benefits</i>
2008	\$ 1,018	\$ 171
2009	974	165
2010	1,136	162
2011	961	159
2012	984	154
2013 through 2017	5,268	726
Total	\$10,341	\$1,537

**Plan Assets**

Plan assets consist mainly of equity and fixed income securities of U.S. and foreign issuers, and may include alternative investments such as real estate, private equity and other absolute return strategies. At December 31, 2007, plan assets totaled \$16.1 billion and included Company common stock with a value of \$16 million (less than 1 percent of total plan assets). At December 31, 2006, plan assets totaled \$15.0 billion and included Company common stock with a value of \$189 million (1 percent of total plan assets).

<b>Weighted-Average Allocation of All Plan Assets at December 31</b>		
	<i>2007</i>	<i>2006</i>
Equity securities	51%	54%
Debt securities	30%	28%
Alternative investments	19%	18%
Total	100%	100%

<b>Weighted-Average Allocation of U.S. Plan Assets at December 31</b>		
	<i>2007</i>	<i>2006</i>
Equity securities	53%	57%
Debt securities	26%	24%
Alternative investments	21%	19%
Total	100%	100%

**Investment Strategy and Risk Management for Plan Assets**

The Company's investment strategy for the plan assets is to manage the assets in order to pay retirement benefits to plan participants while minimizing cash contributions from the Company over the life of the plans. This is accomplished by diversifying investments in various asset classes and earning an acceptable long-term rate of return consistent with an acceptable degree of risk, while considering the liquidity needs of the plans.

The plans are permitted to use derivative instruments for investment purposes, as well as for hedging the underlying asset and liability exposure and re-balancing the asset allocation. The plans use value at risk and other risk measures to monitor risk in the portfolios.

<b>Strategic Weighted Average Target Allocation of U.S. Plan Assets</b>		
<i>Asset Category</i>	<i>Target Allocation</i>	<i>Range</i>
Equity securities	48%	+/- 10%
Debt securities	35%	+/- 10%
Alternative investments	17%	+/- 8%
Total	100%	

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE M – LEASED PROPERTY AND VARIABLE INTEREST ENTITIES**

**Leased Property**

The Company routinely leases premises for use as sales and administrative offices, warehouses and tanks for product storage, motor vehicles, railcars, computers, office machines, and equipment under operating leases. In addition, the Company leases a gas turbine and aircraft in the United States, and ethylene plants in Canada and The Netherlands. At the termination of the leases, the Company has the option to purchase these plants and certain other leased equipment and buildings based on a fair market value determination.

Rental expenses under operating leases, net of sublease rental income, were \$445 million in 2007, \$441 million in 2006 and \$451 million in 2005. Future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year are as follows:

<b>Minimum Operating Lease Commitments at December 31, 2007</b>	
In millions	
2008	\$ 231
2009	200
2010	171
2011	117
2012	93
2013 and thereafter	441
Total	\$1,253

**Variable Interest Entities**

The Company leases an ethylene facility in The Netherlands from an owner trust that is a variable interest entity ("VIE"). Dow is not the primary beneficiary of the owner trust and is, therefore, not required to consolidate the owner trust. Based on a valuation completed in mid-2003 when Dow entered into the lease, the facility was valued at \$394 million. Upon expiration of the lease, which matures in 2014, Dow may purchase the facility for an amount based upon a fair market value determination. At December 31, 2007, Dow had provided to the owner trust a residual value guarantee of \$363 million, which represents Dow's maximum exposure to loss under the lease. Given the productive nature of the facility, it is probable that the facility will have continuing value to Dow or the owner trust in excess of the residual value guarantee.

In September 2001, Hobbes Capital S.A. ("Hobbes"), a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of equity certificates. The certificates provide a floating rate of return (which may be reinvested) based on London Interbank Offered Rate (LIBOR), and may be redeemed in September 2008 and at seven-year intervals thereafter. The equity certificates have been classified as "Preferred Securities of Subsidiaries" in the consolidated balance sheets. The preferred return is included in "Minority interests' share in income" in the consolidated statements of income. Reinvested preferred returns are included in "Minority Interest in Subsidiaries" in the consolidated balance sheets. Under FIN No. 46R, Hobbes is a VIE and the Company is the primary beneficiary.

**NOTE N – STOCK-BASED COMPENSATION**

The Company grants stock-based compensation to employees and non-employee directors in the form of the Employees' Stock Purchase Plans and stock option plans, which include deferred and restricted stock. Information regarding these plans is provided below.

**Accounting for Stock-Based Compensation**

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and superseded Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." This statement, which requires that the cost of all share-based payment transactions be recognized in the financial statements, established fair value as the measurement objective and required entities to apply a fair value based measurement method in accounting for share-based payment transactions. As issued, the statement applied

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE N – Stock-Based Compensation – Continued**

to all awards granted, modified, repurchased or cancelled after July 1, 2005, and unvested portions of previously issued and outstanding awards. On April 14, 2005, the SEC announced the adoption of a new rule that amended the compliance date for SFAS No. 123R, allowing companies to implement the statement at the beginning of their next fiscal year that began after June 15, 2005, which was January 1, 2006 for the Company. Effective January 1, 2006, the Company began expensing stock-based compensation newly issued in 2006 to employees in accordance with the fair value based measurement method of accounting set forth in SFAS No. 123R, using the modified prospective method.

The Company grants stock-based compensation awards which vest over a specified period or upon employees meeting certain performance and retirement eligibility criteria. The Company has historically amortized these awards over the specified vesting period and recognized any unrecognized compensation cost at the date of retirement (the “nominal vesting period approach”). The Company will continue applying the nominal vesting period approach to the portion of outstanding awards that were unvested as of December 31, 2005, until the awards are fully vested. SFAS No. 123R specifies that an award is vested when the employee’s right to the award is no longer contingent upon providing additional service (the “non-substantive vesting period approach”). The Company began applying this approach to all stock-based compensation awarded after December 31, 2005. The fair value of equity instruments issued to employees is measured on the date of grant and is recognized over the vesting period or from the grant date to the date on which retirement eligibility provisions have been met and additional service is no longer required. The application of the nominal vesting period approach to the unvested outstanding awards at the end of 2005 and application of the non-substantive vesting period approach to stock-based compensation awarded beginning in 2006 did not have a material impact on the Company’s consolidated financial statements.

Prior to the adoption of SFAS No. 123R, the Company expensed stock options granted after January 1, 2003, when the fair value provisions of SFAS No. 123 were adopted for new grants of equity instruments (which include stock options, deferred stock grants, and subscriptions to purchase shares under the Company’s Employees’ Stock Purchase Plan (“ESPP”)) to employees. Prior to the adoption of SFAS No. 123, the Company accounted for its stock-based awards in accordance with APB Opinion No. 25. The following table provides actual results for 2007 and 2006 and pro forma results for 2005 as if the fair value based measurement method had been applied to all outstanding and unvested awards, including stock options, deferred stock grants, and subscriptions to purchase shares under the Company’s ESPP, in each period presented:

In millions, except per share amounts	2007	2006	2005
Net income, as reported	\$2,887	\$3,724	\$4,515
Add: Stock-based compensation expense included in reported net income, net of tax	181	173	267
Deduct: Total stock-based compensation expense determined using the fair value based measurement method for all awards, net of tax	(181)	(173)	(236)
Pro forma net income	\$2,887	\$3,724	\$4,546
Earnings per share (in dollars):			
Basic – as reported	\$3.03	\$3.87	\$4.69
Basic – pro forma	\$3.03	\$3.87	\$4.72
Diluted – as reported	\$2.99	\$3.82	\$4.62
Diluted – pro forma	\$2.99	\$3.82	\$4.65

Prior to 2006, the Company estimated the fair value of stock options and subscriptions to purchase shares under the ESPP using a binomial option-pricing model. Since the beginning of 2006, the Company has used a lattice-based option valuation model to estimate the fair value of stock options and subscriptions to purchase shares under the ESPP. The weighted-average assumptions used to calculate total stock-based compensation are included in the following table:

	2007	2006	2005
Dividend yield	3.5%	3.3%	2.6%
Expected volatility	23.33%	25.67%	22.22%
Risk-free interest rate	4.89%	4.55%	3.65%
Expected life of stock options granted during period	6 years	6 years	5 years
Life of Employees’ Stock Purchase Plan	6.6 months	6.6 months	5 months

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

The dividend yield assumption for all periods was based on the Company's current declared dividend as a percentage of the stock price on the grant date. The expected volatility assumption for 2007 and 2006 was based on an equal weighting of the historical daily volatility and current implied volatility from exchange-traded options for the contractual term of the options. The expected volatility assumption determined for 2005 was based entirely on the historical daily volatility of the Company's stock. The risk-free interest rate for 2007 and 2006 was based on the weighted-average of U.S. Treasury strip rates over the contractual term of the options. The risk-free interest rate for 2005 was based on zero-coupon U.S. Treasury securities with maturities equal to the expected life of the option. Based on an analysis of historical exercise patterns, exercise rates were developed that resulted in an average life of 6 years for 2007 and 2006. The expected life of the option for 2005 was based on historical data resulting in a 5-year life.

**EMPLOYEES' STOCK PURCHASE PLANS**

On February 13, 2003, the Board of Directors authorized a 10-year ESPP, which was approved by stockholders at the Company's annual meeting on May 8, 2003. Under each annual offering, most employees are eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base earnings. The value is determined using the plan price multiplied by the number of shares subscribed to by the employee. The plan price of the stock is set each year at no less than 85 percent of market price. Approximately 59 percent of the eligible employees enrolled in the annual plan for 2007; approximately 52 percent of the eligible employees enrolled in 2006; and approximately 40 percent enrolled in 2005.

<b>Employees' Stock Purchase Plans</b>	<b>2007</b>	
	<i>Shares</i>	<i>Exercise Price*</i>
Shares in thousands		
Outstanding at beginning of year	-	-
Granted	5,328	\$30.81
Exercised	(4,677)	\$30.81
Forfeited/Expired	(651)	\$30.81
Outstanding and exercisable at end of year	-	-

\*Weighted-average per share

<b>Additional Information about ESPPs</b>				
In millions, except per share amounts	2007	2006	2005	
Weighted-average fair value per share of purchase rights granted	\$10.62	\$7.83	\$6.77	
Total compensation expense for ESPPs	\$57	\$34	\$19	
Related tax benefit	\$21	\$12	\$7	
Total amount of cash received from the exercise of purchase rights	\$145	\$101	\$135	
Total intrinsic value of purchase rights exercised*	\$65	\$15	\$41	
Related tax benefit	\$24	\$6	\$15	

\*Difference between the market price at exercise and the price paid by the employee to exercise the purchase rights

**STOCK OPTION PLANS**

Under the 1988 Award and Option Plan (the "1988 Plan"), a plan approved by stockholders, the Company may grant options or shares of common stock to its employees subject to certain annual and individual limits. The terms of the grants are fixed at the grant date. At December 31, 2007, there were 25,254,077 shares available for grant under this plan.

No additional grants will be made under the 1994 Non-Employee Directors' Stock Plan, which previously allowed the Company to grant up to 300,000 options to non-employee directors. At December 31, 2007, there were 56,250 options outstanding under this plan.

No additional grants will be made under the 1998 Non-Employee Directors' Stock Plan, which previously allowed the Company to grant up to 600,000 options to non-employee directors. At December 31, 2007, there were 160,900 options outstanding under this plan.

The exercise price of each stock option equals the market price of the Company's stock on the date of grant. Options vest from one to three years, and have a maximum term of 10 years.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE N – Stock-Based Compensation – Continued**

The following table provides stock option activity for 2007:

<b>Stock Options</b>	<b>2007</b>	
	<i>Shares</i>	<i>Exercise Price*</i>
Shares in thousands		
Outstanding at beginning of year	48,597	\$37.20
Granted	7,679	\$43.58
Exercised	(7,704)	\$31.30
Forfeited/Expired	(570)	\$38.01
Outstanding at end of year	48,002	\$39.16
Remaining contractual life in years		5.66
Aggregate intrinsic value (in millions)	\$180	
Exercisable at end of year	33,053	\$36.66
Remaining contractual life in years		4.42
Aggregate intrinsic value (in millions)	\$178	

\*Weighted-average per share

<b>Additional Information about Stock Options</b>			
In millions, except per share amounts	<i>2007</i>	<i>2006</i>	<i>2005</i>
Weighted-average fair value per share of options granted	\$9.81	\$10.31	\$10.47
Total compensation expense for stock option plans	\$86	\$87	\$68
Related tax benefit	\$32	\$32	\$25
Total amount of cash received from the exercise of options	\$235	\$122	\$263
Total intrinsic value of options exercised*	\$103	\$49	\$216
Related tax benefit	\$38	\$18	\$80

\*Difference between the market price at exercise and the price paid by the employee to exercise the options

Total unrecognized compensation cost related to unvested stock option awards was \$39 million at December 31, 2007 and is expected to be recognized over a weighted-average period of 1.36 years.

**Deferred and Restricted Stock**

Under the 1988 Plan, the Company grants deferred stock to certain employees. The grants vest after a designated period of time, generally two to five years.

<b>Deferred Stock</b>	<b>2007</b>	
	<i>Shares</i>	<i>Grant Date Fair Value*</i>
Shares in thousands		
Nonvested at beginning of year	5,443	\$44.90
Granted	1,902	\$43.61
Vested	(584)	\$33.88
Canceled	(128)	\$45.28
Nonvested at end of year	6,633	\$45.49

\*Weighted-average per share

<b>Additional Information about Deferred Stock</b>			
In millions, except per share amounts	<i>2007</i>	<i>2006</i>	<i>2005</i>
Weighted-average fair value per share of deferred stock granted	\$43.61	\$43.34	\$52.45
Total fair value of deferred stock vested and delivered (1)	\$24	\$48	\$123
Related tax benefit	\$9	\$18	\$45
Total compensation expense for deferred stock awards	\$76	\$67	\$60
Related tax benefit	\$28	\$25	\$22

(1) Includes the fair value of shares vested in prior years and delivered in the reporting year.

**The Dow Chemical Company and Subsidiaries**  
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Total unrecognized compensation cost related to deferred stock awards was \$112 million at December 31, 2007 and is expected to be recognized over a weighted-average period of 1.95 years. At December 31, 2007, approximately 266,000 deferred shares with a grant date weighted-average fair value per share of \$43.38 had previously vested, but were not issued. These shares are scheduled to be issued to employees within one to four years or upon retirement.

Also under the 1988 Plan, the Company has granted performance deferred stock awards that vest when the Company attains specified performance targets over a pre-determined period, generally two to five years. Compensation expense related to performance deferred stock awards is recognized over the lesser of the service or performance period. The following table shows the performance deferred stock awards granted:

<b>Performance Deferred Stock Awards</b>		<i>Target Shares Granted*</i>	<i>Weighted-average Fair Value per Share</i>
Shares in millions	<i>Performance Period</i>		
2007	January 1, 2007 – December 31, 2009	1.0	\$43.59
2006	January 1, 2006 – December 31, 2008	0.9	\$36.78
2005	January 1, 2005 – December 31, 2007	1.0	\$55.77

\* At the end of the performance period, the actual number of shares issued can range from zero to 250 percent of the target shares granted for the 2007 performance period and from zero to 200 percent of the target shares granted for the 2006 and 2005 performance periods.

The following table shows changes in nonvested performance deferred stock:

<b>Performance Deferred Stock</b>	<b>2007</b>	
	<i>Shares</i>	<i>Grant Date Fair Value*</i>
Shares in thousands		
Nonvested at beginning of year	3,498	\$37.28
Granted	983	\$43.59
Vested	(2,544)	\$37.40
Canceled	(76)	\$40.67
Nonvested at end of year	1,861	\$40.32

\*Weighted-average per share

<b>Additional Information about Performance Deferred Stock</b>			
In millions, except per share amounts	2007	2006	2005
Total fair value of performance deferred stock vested and delivered (1)	\$127	\$52	-
Related tax benefit	\$47	\$19	-
Total compensation expense for performance deferred stock awards	\$69	\$86	\$276
Related tax benefit	\$26	\$32	\$101

(1) Includes the fair value of shares vested in prior years and delivered in the reporting year.

Total unrecognized compensation cost related to performance deferred stock awards was \$24 million at December 31, 2007 and is expected to be recognized over a weighted-average period of 1.34 years. At December 31, 2007, approximately 5.8 million performance deferred shares with a grant date weighted-average fair value of \$34.67 per share were vested, but not issued. These shares are scheduled to be issued in April 2008.

In addition, the Company is authorized to grant up to 300,000 deferred shares of common stock to executive officers of the Company under the 1994 Executive Performance Plan.

Under the 2003 Non-Employee Directors' Stock Incentive Plan, a plan approved by stockholders, the Company may grant up to 1.5 million shares (including options, restricted stock and deferred stock) to non-employee directors over the 10-year duration of the program, subject to an annual aggregate award limit of 25,000 shares for each individual director. In 2007, 48,400 stock options with a weighted-average fair value of \$9.83 per share and 9,200 shares of restricted stock with a weighted-average fair value of \$41.97 per share were issued under this plan. The restricted stock issued under this plan cannot be sold, assigned, pledged or otherwise transferred by the non-employee director, until the director is no longer a member of the Board.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE O – LIMITED PARTNERSHIP**

In early 1998, a subsidiary of the Company purchased the 20 percent limited partner interests of outside investors in a consolidated subsidiary, Chemtech Royalty Associates L.P., for a fair value of \$210 million in accordance with wind-up provisions in the partnership agreement. The limited partnership was renamed Chemtech II L.P. (“Chemtech II”). In June 1998, the Company contributed assets with an aggregate fair value of \$783 million (through a wholly owned subsidiary) to Chemtech II and an outside investor acquired a limited partner interest in Chemtech II totaling 20 percent in exchange for \$200 million. In September 2000, the Company contributed additional assets with an aggregate fair value of \$18 million (through a wholly owned subsidiary) to Chemtech II.

Chemtech II is a separate and distinct legal entity from the Company and its affiliates, and has separate assets, liabilities, business and operations. Chemtech II affords the Company a diversified source of funding through a cost effective minority equity participation. The partnership has a general partner, a wholly owned subsidiary of the Company, which directs business activities and has fiduciary responsibilities to the partnership and its other members.

The outside investor in Chemtech II receives a cumulative annual priority return on its investment and participates in residual earnings. The partnership agreement was renegotiated in June 2003, resulting in a new cumulative annual priority return of \$8 million. Chemtech II will not terminate unless a termination or liquidation event occurs. The outside investor may cause such an event to occur in 2008. Upon wind-up, liquidation or termination, the partners’ capital accounts will be redeemed at current fair values.

For financial reporting purposes, the assets (other than intercompany loans, which are eliminated), liabilities, results of operations and cash flows of the partnership and subsidiaries are included in the Company’s consolidated financial statements, and the outside investor’s limited partner interest is included in “Minority Interest in Subsidiaries” in the consolidated balance sheets.

**NOTE P – PREFERRED SECURITIES OF SUBSIDIARIES**

The following transactions were entered into for the purpose of providing diversified sources of funds to the Company.

In July 1999, Tornado Finance V.O.F., a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of preferred partnership units. The units provide a distribution of 7.965 percent, may be redeemed in 2009 or thereafter, and may be called at any time by the subsidiary. The preferred partnership units are classified as “Preferred Securities of Subsidiaries” in the consolidated balance sheets. The distributions are included in “Minority interests’ share in income” in the consolidated statements of income.

In September 2001, Hobbes Capital S.A., a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of equity certificates. The certificates provide a floating rate of return (which may be reinvested) based on the London Interbank Offered Rate (LIBOR), and may be redeemed in September 2008 and at seven-year intervals thereafter. The equity certificates are classified as “Preferred Securities of Subsidiaries” in the consolidated balance sheets. The preferred return is included in “Minority interests’ share in income” in the consolidated statements of income. Reinvested preferred returns are included in “Minority Interest in Subsidiaries” in the consolidated balance sheets.

**NOTE Q – STOCKHOLDERS’ EQUITY**

There are no significant restrictions limiting the Company’s ability to pay dividends.

Undistributed earnings of nonconsolidated affiliates included in retained earnings were \$1,962 million at December 31, 2007 and \$1,599 million at December 31, 2006.

On July 14, 2005, the Board of Directors authorized the repurchase of up to 25 million shares of Dow common stock over the period ending on December 31, 2007 (the “2005 Program”). Prior to that authorization (and since August 3, 1999 when the Board of Directors terminated its 1997 authorization which allowed the Company to repurchase shares of Dow common stock), the only shares purchased by the Company were those shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock (see Note N for information regarding the Company’s stock option plans). In 2005 and 2006, the Company purchased in total 18,798,407 shares of the Company’s common stock under the 2005 program. During the first quarter of 2007, the Company purchased 6,201,593 shares of the Company’s common stock under the 2005 Program, bringing the program to a close.

On October 26, 2006, the Company announced that its Board of Directors had approved a share buy-back program, authorizing up to \$2 billion to be spent on the repurchase of the Company’s common stock (the “2006 Program”). Purchases under the 2006 Program began in March 2007, following the completion of the 2005 Program. In 2007, the Company purchased 26,225,207 shares of the Company’s common stock under the 2006 Program.



**The Dow Chemical Company and Subsidiaries**  
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The total number of treasury shares purchased by the Company, including shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock, was 33,275,995 in 2007; 18,694,453 in 2006 and 1,492,548 in 2005.

The number of treasury shares issued to employees under the Company's option and purchase programs was 15.6 million in 2007, 9.6 million in 2006 and 15.7 million in 2005.

**Reserved Treasury Stock at December 31**

Shares in millions	2007	2006	2005
Stock option and deferred stock plans	41.0	23.3	14.2

*Employee Stock Ownership Plan*

The Company has the Dow Employee Stock Ownership Plan (the "ESOP"), which is an integral part of The Dow Chemical Company Employees' Savings Plan. A significant majority of full-time employees in the United States are eligible to participate in the ESOP through the allocation of shares of the Company's common stock.

In 1990, Union Carbide sold shares of its stock to its ESOP (the "UCC ESOP") for a \$325 million note with a maturity date of December 31, 2005, and an interest rate of 10 percent. The UCC ESOP shares were converted into shares of Dow common stock on February 6, 2001. On December 27, 2001, the UCC ESOP and the ESOP were merged into one ESOP trust and the UCC ESOP note was restructured with a maturity date of December 31, 2023, and an interest rate of 6.96 percent. The outstanding balance of the note was \$1 million at December 31, 2005. On December 31, 2006, the trustee made the final payment on the ESOP note and released the remaining shares held by the ESOP. The receivable from the ESOP was reflected as "Unearned ESOP shares" in the consolidated balance sheets as a reduction of "Stockholders' Equity."

At December 31, 2007, 10 million common shares held by the ESOP were outstanding, all of which have been allocated to participants' accounts. Shares held by the ESOP are treated as outstanding shares in the determination of basic and diluted earnings per share.

**NOTE R – INCOME TAXES**

Operating loss carryforwards amounted to \$5,439 million at December 31, 2007 and \$4,858 million at December 31, 2006. At December 31, 2007, \$362 million of the operating loss carryforwards were subject to expiration in 2008 through 2012. The remaining operating loss carryforwards expire in years beyond 2012 or have an indefinite carryforward period. Tax credit carryforwards at December 31, 2007 amounted to \$681 million, net of FIN No. 48 positions, of which \$3 million is subject to expiration in 2008 through 2012. The remaining tax credit carryforwards expire in years beyond 2012. At December 31, 2006, prior to the adoption of FIN No. 48, tax credit carryforwards totaled \$1,081 million.

Undistributed earnings of foreign subsidiaries and related companies that are deemed to be permanently invested amounted to \$7,752 million at December 31, 2007, \$5,951 million at December 31, 2006 and \$4,299 million at December 31, 2005. It is not practicable to calculate the unrecognized deferred tax liability on those earnings.

The Company had valuation allowances, which were primarily related to the realization of recorded tax benefits on tax loss carryforwards from operations in the United States, Brazil and Switzerland, of \$323 million at December 31, 2007 and \$446 million at December 31, 2006.

The tax rate for 2007 was negatively impacted by a change in German tax law that was enacted in August and included a reduction in the German income tax rate, which was effective January 1, 2008. As a result of the change, the Company adjusted the value of its net deferred tax assets in Germany (using the lower tax rate) and recorded a charge of \$362 million against the "Provision for income taxes" in the third quarter of 2007. Additionally, during 2007, the Company determined that it was more likely than not that certain tax loss carryforwards in the United States and Brazil would be utilized due to positive financial performance, adherence to fiscal discipline and improved forecasted earnings, which resulted in net reversals of valuation allowances of \$71 million related to the United States and \$45 million related to Brazil. In addition, the Company changed the legal ownership structure of its investment in EQUATE, resulting in a favorable impact to the "Provision for income taxes" of \$113 million in the fourth quarter of 2007. These events, combined with enacted changes in the tax rates in Canada and Italy, strong financial results in jurisdictions with lower tax rates than the United States and improved earnings from a number of the Company's joint ventures, partially offset by the impact of FIN No. 48, resulted in an effective tax rate for 2007 that was lower than the U.S. statutory rate. The Company's reported effective tax rate for 2007 was 29.4 percent.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE R – Income Taxes – Continued**

During 2006, the Company developed tax planning strategies in Brazil and determined that it was more likely than not that tax loss carryforwards would be utilized, resulting in a reversal of valuation allowances of \$63 million. This impact, combined with strong financial results in jurisdictions with lower tax rates than the United States, enacted reductions in the tax rates in Canada and The Netherlands, and improved earnings from a number of the Company's joint ventures, resulted in an effective tax rate for 2006 that was lower than the U.S. statutory rate. The Company's reported effective tax rate for 2006 was 23.2 percent.

The American Jobs Creation Act of 2004 (the "AJCA"), which was signed into law in October 2004, introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain criteria are met. In May 2005, tax authorities released the clarifying language necessary to enable the Company to finalize its plan for the repatriation and reinvestment of foreign earnings subject to the requirements of the AJCA, resulting in a credit of \$113 million to the "Provision for income taxes" in the second quarter of 2005.

On January 23, 2006, the Company received an unfavorable tax ruling from the United States Court of Appeals for the Sixth Circuit reversing a prior decision by the United States District Court relative to corporate owned life insurance, resulting in a charge of \$137 million to the "Provision for income taxes" in the fourth quarter of 2005.

The Company's tax rate for 2005 was lower than the U.S. statutory rate due to strong financial results in jurisdictions with lower tax rates than the United States, improved earnings from a number of joint ventures, and the impact of the repatriation provisions under the AJCA, offset by the unfavorable tax ruling on corporate owned life insurance. The Company's reported effective tax rate for 2005 was 27.8 percent.

<b>Domestic and Foreign Components of Income before Income Taxes and Minority Interests</b>			
In millions	2007	2006	2005
Domestic	\$ 229	\$2,244	\$2,715
Foreign	4,000	2,728	3,684
Total	\$4,229	\$4,972	\$6,399

<b>Reconciliation to U.S. Statutory Rate</b>			
In millions	2007	2006	2005
Taxes at U.S. statutory rate	\$1,480	\$1,740	\$2,240
Equity earnings effect	(396)	(331)	(287)
Change in legal ownership structure of EQUATE	(113)	-	-
Foreign rates other than 35% (1)	(739)	(517)	(409)
German tax law change	362	-	-
U.S. tax effect of foreign earnings and dividends	480	272	160
Unrecognized tax benefits	166	-	-
Tax contingency reserve adjustments	-	177	3
Benefit of repatriation under AJCA	-	-	(113)
Unfavorable tax ruling	-	-	137
Other – net	4	(186)	51
Total tax provision	\$1,244	\$1,155	\$1,782
Effective tax rate	29.4%	23.2%	27.8%

(1) Includes the effect of changes in valuation allowances for foreign entities as follows: a decrease of \$53 million in 2007, a decrease of \$61 million in 2006 and an increase of \$14 million in 2005.

<b>Provision (Credit) for Income Taxes</b>									
In millions	2007			2006			2005		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 77	\$141	\$ 218	\$ 367	\$ 401	\$ 768	\$ 255	\$535	\$ 790
State and local	87	4	91	82	(99)	(17)	46	20	66
Foreign	586	349	935	602	(198)	404	741	185	926
Total	\$750	\$494	\$1,244	\$1,051	\$ 104	\$1,155	\$1,042	\$740	\$1,782

**The Dow Chemical Company and Subsidiaries**  
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Deferred Tax Balances at December 31	2007		2006	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
In millions				
Property	\$ 162	\$(2,157)	\$ 260	\$(2,128)
Tax loss and credit carryforwards	2,142	-	2,721	-
Postretirement benefit obligations	1,066	(912)	1,820	(1,030)
Other accruals and reserves	1,278	(570)	1,397	(507)
Inventory	154	(203)	163	(149)
Long-term debt	4	(110)	229	(80)
Investments	154	(2)	213	(3)
Other – net	1,275	(455)	821	(332)
Subtotal	\$6,235	\$(4,409)	\$7,624	\$(4,229)
Valuation allowance	(323)	-	(446)	-
Total	\$5,912	\$(4,409)	\$7,178	\$(4,229)

**Uncertain Tax Positions**

On January 1, 2007, the Company adopted the provisions of FIN No. 48. The cumulative effect of adoption was a \$290 million reduction of retained earnings. At December 31, 2007, the total amount of unrecognized tax benefits was \$892 million (\$865 million at January 1, 2007), of which \$864 million would impact the effective tax rate, if recognized (\$704 million at January 1, 2007).

Interest and penalties associated with uncertain tax positions are recognized as components of the “Provision for income taxes,” and totaled \$29 million in 2007. The Company’s accrual for interest and penalties was \$152 million at December 31, 2007 and \$123 million at January 1, 2007.

**Total Gross Unrecognized Tax Benefits**

(in millions)	2007
Balance at January 1	\$865
Increases related to positions taken on items from prior years	99
Decreases related to positions taken on items from prior years	(164)
Increases related to positions taken in 2007	110
Settlement of uncertain tax positions with tax authorities	(1)
Decreases due to expiration of statutes of limitations	(17)
Balance at December 31	\$892

The Company is currently under examination in a number of tax jurisdictions for 1998-2006. It is reasonably possible that these examinations may be resolved within twelve months. As a result, it is reasonably possible that the total gross unrecognized tax benefits of the Company will be reduced by approximately \$285 million. The amount of settlement remains uncertain and it is reasonably possible that before settlement, the amount of gross unrecognized tax benefits may increase by approximately \$40 million or decrease by approximately \$20 million. The impact on the Company’s results of operations is expected to be immaterial.

Tax years that remain subject to examination for the Company’s major tax jurisdictions are shown below:

Tax Years Subject to Examination for Major Tax Jurisdictions at December 31, 2007	
1989 – 2007	United States – state and local income tax
2001 – 2007	Argentina
	Canada
	United States – federal income tax
2002 – 2007	Brazil
	Germany
2003 – 2007	Italy
	Spain
2005 – 2007	France
	Switzerland
	United Kingdom
2007	The Netherlands

## The Dow Chemical Company and Subsidiaries

### Notes to the Consolidated Financial Statements

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#### NOTE R – Income Taxes – Continued

The reserve for non-income tax contingencies related to issues in the United States and foreign locations was \$226 million at December 31, 2007 and \$223 million at December 31, 2006. This is management's best estimate of the potential liability for non-income tax contingencies. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions' tax court systems. It is the opinion of the Company's management that the possibility is remote that costs in excess of those accrued will have a material adverse impact on the Company's consolidated financial statements.

#### NOTE S – OPERATING SEGMENTS AND GEOGRAPHIC AREAS

Dow is a diversified, worldwide manufacturer and supplier of approximately 3,100 products. The Company's products are used primarily as raw materials in the manufacture of customer products and services. The Company serves the following industries: appliance; automotive; agricultural; building and construction; chemical processing; electronics; furniture; housewares; oil and gas; packaging; paints, coatings and adhesives; personal care; pharmaceutical; processed foods; pulp and paper; textile and carpet; utilities; and water treatment.

Dow conducts its worldwide operations through global businesses, which are aggregated into reportable operating segments based on the nature of the products and production processes, end-use markets, channels of distribution and regulatory environment. The Company's reportable operating segments are Performance Plastics, Performance Chemicals, Agricultural Sciences, Basic Plastics, Basic Chemicals, and Hydrocarbons and Energy. Unallocated and Other contains the reconciliation between the totals for the reportable segments and the Company's totals. It also represents the operating segments that do not meet the quantitative threshold for determining reportable segments, research and other expenses related to new business development activities, and other corporate items not allocated to the reportable operating segments.

The Corporate Profile included below describes the operating segments, how they are aggregated, and the types of products and services from which their revenues are derived.

##### Corporate Profile

Dow is a diversified chemical company that combines the power of science and technology with the "Human Element" to constantly improve what is essential to human progress. The Company delivers a broad range of products and services to customers in approximately 160 countries, connecting chemistry and innovation with the principles of sustainability to help provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. In 2007, Dow had annual sales of \$53.5 billion and employed approximately 45,900 people worldwide. The Company has 150 manufacturing sites in 35 countries and produces approximately 3,100 products. The following descriptions of the Company's operating segments include a representative listing of products for each business.

##### PERFORMANCE PLASTICS

**Applications:** automotive interiors, exteriors, under-the-hood and body engineered systems • building and construction, thermal and acoustic insulation, roofing • communications technology, telecommunication cables, electrical and electronic connectors • footwear • home and office furnishings: kitchen appliances, power tools, floor care products, mattresses, carpeting, flooring, furniture padding, office furniture • information technology equipment and consumer electronics • packaging, food and beverage containers, protective packaging • sports and recreation equipment • wire and cable insulation and jacketing materials for power utility and telecommunications

**Dow Automotive** serves the global automotive market and is a leading supplier of plastics, adhesives, sealants and other plastics-enhanced products for interior, exterior, under-the-hood, vehicle body structure and acoustical management technology solutions. With offices and application development centers around the world, Dow Automotive provides materials science expertise and comprehensive technical capabilities to its customers worldwide.

- **Products:** AFFINITY™ polyolefin plastomers; AMPLIFY™ functional polymers; BETABRACE™ reinforcing composites; BETADAMP™ acoustical damping systems; BETAFOAM™ NVH and structural foams; BETAGUARD™ sealants; BETAMATE™ structural adhesives; BETASEAL™ glass bonding systems; CALIBRE™ polycarbonate resins; DOW™ polyethylene resins; DOW™ polypropylene resins and automotive components made with DOW™ polypropylene; IMPAXX™ energy management foam; INSPIRE™ performance polymers; INTEGRAL™ adhesive film; ISONATE™ pure and modified methylene diphenyl diisocyanate (MDI) products; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PAPI™ polymeric MDI; PELLETHANE™ thermoplastic polyurethane elastomers; Premium brake fluids and lubricants; PULSE™ engineering resins; SPECFLEX™ semi-flexible polyurethane foam systems;

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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SPECTRIM™ reaction moldable polymers; STRANDFOAM™ polypropylene foam; VERSIFY™ plastomers and elastomers; VORANATE™ specialty isocyanates; VORANOL™ polyether polyols

**Dow Building Solutions** manufactures and markets an extensive line of insulation, weather barrier, and oriented composite building solutions, as well as a line of cushion packaging foam solutions. The business is the recognized leader in extruded polystyrene (XPS) insulation, known industry-wide by its distinctive Blue color and the Dow STYROFOAM™ brand for more than 50 years. The business also manufactures foam solutions for a wide range of applications including cushion packaging, electronics protection and material handling.

- **Products:** EQUIFOAM™ comfort products; FROTH-PAK™ polyurethane spray foam; GREAT STUFF™ polyurethane foam sealant; IMOTUS™ acoustic panels; INSTA-STIK™ roof insulation adhesive; QUASH™ sound management foam; SARAN™ vapor retarder film and tape; STYROFOAM™ brand insulation products (including XPS and polyisocyanurate rigid foam sheathing products); SYMMATRIX™ oriented composites; SYNERGY™ soft touch foam; TILE BOND™ roof tile adhesive; TRYMER™ polyisocyanurate foam pipe insulation; WEATHERMATE™ weather barrier solutions (housewraps, sill pans, flashings and tapes)

**Dow Epoxy** is a leading global producer of epoxy resins, intermediates and specialty resins for a wide range of industries and applications such as coatings, electrical laminates, civil engineering, adhesives and composites. With plants strategically located across four continents, the business is focused on providing customers around the world with differentiated solution-based epoxy products and innovative technologies and services.

- **Products:** D.E.H.™ epoxy curing agents or hardeners; D.E.N.™ epoxy novolac resins; D.E.R.™ epoxy resins (liquids, solids and solutions); Epoxy intermediates (Acetone, Allyl chloride, Bisphenol-A, Epichlorohydrin, OPTIM™ synthetic glycerine and Phenol); Specialty acrylic monomers (Glycidyl methacrylate, Hydroxyethyl acrylate and Hydroxypropyl acrylate); UCAR™ solution vinyl resins

The **Polyurethanes and Polyurethane Systems** business is a leading global producer of polyurethane raw materials and polyurethane systems. Differentiated by its ability to globally supply a high-quality, consistent and complete product range, this business emphasizes both existing and new business developments while facilitating customer success with a global market and technology network.

- **Products:** ENFORCER™ Technology and ENHANCER™ Technology for polyurethane carpet and turf backing; ISONATE™ MDI; PAPI™ polymeric MDI; Propylene glycol; Propylene oxide; SPECFLEX™ copolymer polyols; SYNTegra™ waterborne polyurethane dispersions; VORACOR™, VORALAST™, VORALUX™ and VORASTAR™ polyurethane systems; VORANATE™ isocyanate; VORANOL™ and VORANOL™ VORACTIV™ polyether and copolymer polyols

**Specialty Plastics and Elastomers** is a business portfolio of specialty products including a broad range of engineering plastics and compounds, performance elastomers and plastomers, specialty copolymers, synthetic rubber, polyvinylidene chloride resins and films (PVDC), and specialty film substrates. The business serves such industries as automotive, civil construction, wire and cable, building and construction, consumer electronics and appliances, food and specialty packaging, and footwear.

- **Products:** AFFINITY™ polyolefin plastomers (POPs); AMPLIFY™ functional polymers; CALIBRE™ polycarbonate resins; DOW XLA™ elastic fiber; EMERGE™ advanced resins; ENGAGE™ polyolefin elastomers; FLEXOMER™ very low density polyethylene (VLDPE) resins; INTEGRAL™ adhesive films; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; NORDEL™ hydrocarbon rubber; PELLETHANE™ thermoplastic polyurethane elastomers; PRIMACOR™ copolymers; PROCITE™ window envelope films; PULSE™ engineering resins; REDI-LINK™ polyethylene-based wire & cable insulation compounds; SARAN™ PVDC resin and SARAN™ PVDC film; SARANEX™ barrier films; SI-LINK™ polyethylene-based low voltage insulation compounds; TRENCHCOAT™ protective films; TYRIL™ SAN resins; TYRIN™ chlorinated polyethylene; UNIGARD™ HP high-performance flame-retardant compounds; UNIGARD™ RE reduced emissions flame-retardant compounds; UNIPURGE™ purging compound; VERSIFY™ plastomers and elastomers

The **Technology Licensing and Catalyst** business includes licensing and supply of related catalysts, process control software and services for the UNIPOL™ polypropylene process, the METEOR™ process for ethylene oxide (EO) and ethylene glycol (EG), the LP OXO™ process for oxo alcohols, the QBIS™ bisphenol A process, and Dow's proprietary technology for production of purified terephthalic acid (PTA). Licensing of the UNIPOL™ polyethylene process and sale of related catalysts, including metallocene catalysts, are handled through Univation Technologies, LLC, a 50:50 joint venture of Union Carbide.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE S – Operating Segments and Geographic Areas – Continued**

- **Products:** LP OXO™ process technology and NORMAX™ catalysts; METEOR™ EO/EG process technology and catalysts; PTA process technology; QBIS™ bisphenol A process technology and DOWEX™ QCAT™ catalyst; UNIPOL™ PP process technology and SHAC™ catalyst systems

The Performance Plastics segment also includes a portion of the results of the SCG-Dow Group, a group of Thailand-based joint ventures.

**PERFORMANCE CHEMICALS**

**Applications:** agricultural and pharmaceutical products and processing • building materials • chemical processing and intermediates • electronics • food processing and ingredients • gas treating solvents • household products • metal degreasing and dry cleaning • oil and gas treatment • paints, coatings, inks, adhesives, lubricants • personal care products • pulp and paper manufacturing, coated paper and paperboard • textiles and carpet • water purification

**Designed Polymers** is a business portfolio of products and systems characterized by unique chemistry, specialty functionalities, and people with deep expertise in regulated industries. Within Designed Polymers, Dow Water Solutions offers world-class brands and enabling component technologies designed to advance the science of desalination, water purification, trace contaminant removal and water recycling. Also in Designed Polymers, businesses such as Dow Wolff Cellulosics, Dow Biocides and ANGUS Chemical Company (a wholly owned subsidiary of Dow), develop and market a range of products that enhance or enable key physical and sensory properties of end-use products in applications such as food, pharmaceuticals, oil and gas, paints and coatings, personal care, and building and construction.

- **Products and Services:** Acrolein derivatives; Basic nitroparaffins and nitroparaffin-based specialty chemicals; CANGUARD™ BIT preservatives; CELLOSIZETM hydroxyethyl cellulose; Chiral compounds and biocatalysts; CYCLOTENETM advanced electronics resins; DOW™ latex powders; DOWEX™ ion exchange resins; DOWICIDE™ antimicrobial bactericides and fungicides; ETHOCEL™ ethylcellulose resins; FILMTEC™ membranes; FORTEFIBER™ soluble dietary fiber; Hydrocarbon resins; Industrial biocides; METHOCEL™ cellulose ethers; OMEXELL™ ultrafiltration; OMEXELL™ electrodeionization; Pfēnex Expression Technology™; POLYOX™ water-soluble resins; Quaternaries; SILK™ semiconductor dielectric resins; WALOCEL™ cellulose polymers

The **Dow Latex** business is a major global supplier of latexes, for a wide range of industries and applications. It provides the broadest line of styrene/butadiene (S/B) products supporting customers in paper and paperboard (for magazines, catalogues and food packaging) applications, and the carpet and floor covering industry. UCAR Emulsion Systems (UES) manufactures and sells acrylic, vinyl acrylic, vinyl acetate ethylene (VAE), and S/B and styrene acrylic latexes and NEOCAR™ branched vinyl ester latexes for use in the architectural and industrial coatings, adhesives, construction products such as caulks and sealants, textile, and traffic paint. It also offers the broadest product range in the dispersion area and produces and markets UCAR™ POLYPHOBE™ rheology modifiers.

- **Products:** Acrylic latex; EVOCAR™ specialty latex; FOUNDATIONSTM latex; NEOCAR™ branched vinyl ester latexes; Styrene-acrylate latex; Styrene-butadiene latex; Styrene-butadiene vinyl acetate ethylene (VAE); UCAR™ all-acrylic, styrene-acrylic and vinyl-acrylic latexes; UCAR™ POLYPHOBE™ rheology modifiers; UCARHIDE™ opacifier

The **Specialty Chemicals** business provides products and services used as functional ingredients or processing aids in the manufacture of a diverse range of products. Applications include agricultural and pharmaceutical products and processing, building and construction, chemical processing and intermediates, electronics, food processing and ingredients, gas treating solvents, fuels and lubricants, oil and gas, household and institutional cleaners, coatings and paints, pulp and paper manufacturing, metal degreasing and dry cleaning, and transportation. Dow Haltermann Custom Processing provides contract and custom manufacturing services to other specialty chemical, agricultural chemical and biodiesel producers.

- **Products:** Acrylic acid/Acrylic esters; AMBITROL™ and NORKOOL™ industrial coolants; Butyl CARBITOL™ and Butyl CELLOSOLVE™ ethylene oxide; CARBOWAX™ and CARBOWAX™ SENTRY™ polyethylene glycols and methoxypolyethylene glycols; Diphenyloxide; DOW™ polypropylene glycols; DOWCAL™, DOWFROST™, DOWTHERM™, SYLTHERM and UCARTHERM™ heat transfer fluids; DOWFAX™, TERGITOL™ and TRITON™ surfactants; Ethanolamines; Ethyleneamines;

**The Dow Chemical Company and Subsidiaries**  
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Isopropanolamines; MAXIBOOST™ cleaning boosters; MAXICHECK™ solvent analysis test kits; MAXISTAB™ stabilizers; Propylene oxide-based glycol ethers; SAFE-TAINER™ closed-loop delivery system; SYNALOX™ lubricants; UCAR™ deicing fluids; UCARKLEAN™ amine management; UCARSOL™ formulated solvents; UCON™ fluids; VERSENE™ chelating agents; Fine and specialty chemicals from the Dow Haltermann Custom Processing business; Test and reference fuels, printing ink distillates, pure hydrocarbons and esters, and derivatives from Haltermann Products, a wholly owned subsidiary of Dow

The Performance Chemicals segment also includes the results of Dow Corning Corporation, and a portion of the results of the OPTIMAL Group of Companies and the SCG-Dow Group, all joint ventures of the Company.

#### **AGRICULTURAL SCIENCES**

**Applications:** control of weeds, insects and plant diseases for agriculture and pest management • agricultural seeds and traits (genes)

**Dow AgroSciences** is a global leader in providing pest management, agricultural and crop biotechnology products and solutions. The business develops, manufactures and markets products for crop production; weed, insect and plant disease management; and industrial and commercial pest management. Dow AgroSciences is building a leading plant genetics and biotechnology business in agricultural seeds, traits, healthy oils, and animal health.

- **Products:** CLINCHER™ herbicide; DITHANE™ fungicide; FORTRESS™ fungicide; GARLON™ herbicide; GLYPHOMAX™ herbicide; GRANITE™ herbicide, HERCULEX™ I insect protection; HERCULEX™RW insect protection; HERCULEX™ XTRA insect protection; KEYSTONE™ herbicides; LAREDO™ fungicide; LONTREL™ herbicide; LORSBAN™ insecticides; MILESTONE™ herbicide; MUSTANG™ herbicide; MYCOGEN™ seeds; NEXERA™ canola and sunflower seeds; PHYTOGEN™ brand cottonseeds; PROFUME™ gas fumigant; SENTRICON™ termite colony elimination system; STARANE™ herbicide; TELONE™ soil fumigant; TORDON™ herbicide; TRACER™ NATURALYTE™ insect control; VIKANE™ structural fumigant; WIDESTRIKE™ insect protection

#### **BASIC PLASTICS**

**Applications:** adhesives • appliances and appliance housings • agricultural films • automotive parts and trim • beverage bottles • bins, crates, pails and pallets • building and construction • coatings • consumer and durable goods • consumer electronics • disposable diaper liners • fibers and nonwovens • films, bags and packaging for food and consumer products • hoses and tubing • household and industrial bottles • housewares • hygiene and medical films • industrial and consumer films and foams • information technology • oil tanks and road equipment • plastic pipe • textiles • toys, playground equipment and recreational products • wire and cable compounds

The **Polyethylene** business is the world's leading supplier of polyethylene-based solutions through sustainable product differentiation. Through the use of multiple catalyst and process technologies, the business offers customers one of the industry's broadest ranges of polyethylene resins via a strong global network of local experts focused on partnering for long-term success.

- **Products:** ASPUN™ fiber grade resins; ATTANET™ ultra low density polyethylene (ULDPE) resins; CONTINUUM™ bimodal polyethylene resins; DOW™ high density polyethylene (HDPE) resins; DOW™ low density polyethylene (LDPE) resins; DOWLEX™ polyethylene resins; ELITE™ enhanced polyethylene (EPE) resins; TUFLIN™ linear low density polyethylene (LLDPE) resins; UNIVAL™ HDPE resins

The **Polypropylene** business, a major global polypropylene supplier, provides a broad range of products and solutions tailored to customer needs by leveraging Dow's leading manufacturing and application technology, research and product development expertise, extensive market knowledge and strong customer relationships.

- **Products:** DOW™ homopolymer polypropylene resins; DOW™ impact copolymer polypropylene resins; DOW™ random copolymer polypropylene resins; INSPIRE™ performance polymers

The **Polystyrene** business, the global leader in the production of polystyrene resins, is uniquely positioned with geographic breadth and participation in a diversified portfolio of applications. Through market and technical leadership and low cost capability, the business continues to improve product performance and meet customer needs.

- **Products:** STYRON A-TECH™ and C-TECH™ advanced technology polystyrene resins and a full line of STYRON™ general purpose polystyrene resins; STYRON™ high-impact polystyrene resins

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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**NOTE S – Operating Segments and Geographic Areas – Continued**

The Basic Plastics segment also includes the results of Equipolymers and a portion of the results of EQUATE Petrochemical Company K.S.C. and the SCG-Dow Group, all joint ventures of the Company.

**BASIC CHEMICALS**

**Applications:** agricultural products • alumina • automotive antifreeze and coolant systems • carpet and textiles • chemical processing • dry cleaning • dust control • household cleaners and plastic products • inks • metal cleaning • packaging, food and beverage containers, protective packaging • paints, coatings and adhesives • personal care products • petroleum refining • pharmaceuticals • plastic pipe • pulp and paper manufacturing • snow and ice control • soaps and detergents • water treatment

The **Core Chemicals** business is a leading global producer of each of its basic chemical products, which are sold to many industries worldwide, and also serve as key raw materials in the production of a variety of Dow's performance and plastics products.

- **Products:** Acids; Alcohols; Aldehydes; Caustic soda; Chlorine; Chloroform; COMBOTHERM™ blended deicer; DOWFLAKE™ calcium chloride; DOWPER™ dry cleaning solvent; Esters; Ethylene dichloride (EDC); LIQUIDOW™ liquid calcium chloride; MAXICHECK™ procedure for testing the strength of reagents; MAXISTAB™ stabilizers for chlorinated solvents; Methyl chloride; Methylene chloride; Monochloroacetic acid (MCAA); Oxo products; PELADOW™ calcium chloride pellets; Perchloroethylene; Trichloroethylene; Vinyl acetate monomer (VAM); Vinyl chloride monomer (VCM); Vinylidene chloride (VDC)

The **Ethylene Oxide/Ethylene Glycol** business is a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and a world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Dow also supplies ethylene oxide to internal derivatives businesses. Ethylene glycol is used in polyester fiber, polyethylene terephthalate (PET) for food and beverage container applications, polyester film and antifreeze.

- **Products:** Ethylene glycol (EG); Ethylene oxide (EO)

The Basic Chemicals segment also includes the results of MEGlobal and a portion of the results of EQUATE Petrochemical Company K.S.C. and the OPTIMAL Group of Companies, all joint ventures of the Company.

**HYDROCARBONS AND ENERGY**

**Applications:** polymer and chemical production • power

The **Hydrocarbons and Energy** business encompasses the procurement of fuels, natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, power and steam principally for use in Dow's global operations. The business regularly sells its byproducts; the business also buys and sells products in order to balance regional production capabilities and derivative requirements. The business also sells products to certain Dow joint ventures. Dow is the world leader in the production of olefins and aromatics.

- **Products:** Benzene; Butadiene; Butylene; Cumene; Ethylene; Propylene; Styrene; Power, steam and other utilities

The Hydrocarbons and Energy segment also includes the results of Compañía Mega S.A. and a portion of the results of the SCG-Dow Group, both joint ventures of the Company.

**Unallocated and Other** includes the results of New Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities); Venture Capital; the Company's insurance operations and environmental operations; and certain overhead and other cost recovery variances not allocated to the operating segments.



**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

Transfers of products between operating segments are generally valued at cost. However, transfers of products to Agricultural Sciences from other segments are generally valued at market-based prices; the revenues generated by these transfers are provided in the following table:

<b>Operating Segment Information</b>								
In millions	<i>Performance Plastics</i>	<i>Performance Chemicals</i>	<i>Agricultural Sciences</i>	<i>Basic Plastics</i>	<i>Basic Chemicals</i>	<i>Hydrocarbons and Energy</i>	<i>Unallocated and Other</i>	<i>Total</i>
<b>2007</b>								
Sales to external customers	\$15,116	\$8,351	\$3,779	\$12,878	\$5,863	\$7,105	\$ 421	\$53,513
Intersegment revenues	32	63	-	5	72	-	(172)	-
Equity in earnings of nonconsolidated affiliates	68	382	4	176	405	87	-	1,122
Restructuring charges (1)	180	85	77	88	7	44	97	578
Purchased in-process R&D (2)	-	7	50	-	-	-	-	57
EBIT (3)	1,390	949	467	2,006	813	(45)	(897)	4,683
Total assets	11,698	8,824	4,152	8,808	4,691	3,370	7,258	48,801
Investments in nonconsolidated affiliates	331	1,051	38	637	615	402	15	3,089
Depreciation and amortization	598	444	109	576	375	87	1	2,190
Capital expenditures	547	525	116	158	316	413	-	2,075
<b>2006</b>								
Sales to external customers	\$13,944	\$7,867	\$3,399	\$11,833	\$5,560	\$6,205	\$ 316	\$49,124
Intersegment revenues	28	56	-	-	77	-	(161)	-
Equity in earnings of nonconsolidated affiliates	89	368	1	173	241	85	2	959
Restructuring charges (1)	242	12	-	16	184	-	137	591
Asbestos-related credit (4)	-	-	-	-	-	-	(177)	(177)
EBIT (3)	1,629	1,242	415	2,022	689	-	(594)	5,403
Total assets	10,640	7,170	3,947	7,871	4,341	3,075	8,537	45,581
Investments in nonconsolidated affiliates	282	847	16	617	533	436	4	2,735
Depreciation and amortization	641	393	113	470	382	74	1	2,074
Capital expenditures	377	364	94	169	283	488	-	1,775
<b>2005</b>								
Sales to external customers	\$12,405	\$7,521	\$3,364	\$11,007	\$5,643	\$6,061	\$ 306	\$46,307
Intersegment revenues	29	43	-	-	57	-	(129)	-
Equity in earnings of nonconsolidated affiliates	198	294	1	215	204	52	-	964
Restructuring charges (1)	28	14	9	12	3	-	48	114
EBIT (3)	2,507	1,435	543	2,398	1,129	(1)	(1,048)	6,963
Total assets	9,779	6,548	3,999	7,605	4,575	3,100	10,328	45,934
Investments in nonconsolidated affiliates	196	647	23	498	538	397	(14)	2,285
Depreciation and amortization	622	388	131	448	378	108	4	2,079
Capital expenditures	230	334	95	246	230	462	-	1,597

(1) See Note B for information regarding restructuring activities.

(2) See Note C for information regarding purchased in-process research and development.

(3) The Company uses EBIT (which Dow defines as earnings before interest, income taxes and minority interests) as its measure of profit/loss for segment reporting purposes. EBIT by operating segment includes all operating items relating to the businesses; items that principally apply to the Company as a whole are assigned to Unallocated and Other. A reconciliation of EBIT to "Net Income Available for Common Stockholders" is provided below:

In millions	2007	2006	2005
EBIT	\$4,683	\$5,403	\$6,963
+ Interest income	130	185	138
- Interest expense and amortization of debt discount	584	616	702
- Provision for income taxes	1,244	1,155	1,782
- Minority interests' share in income	98	93	82
+ Cumulative effect of change in accounting principle	-	-	(20)
Net Income Available for Common Stockholders	\$2,887	\$3,724	\$4,515

(4) See Note J for information regarding the asbestos-related credit.

**The Dow Chemical Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**NOTE S – Operating Segments and Geographic Areas – Continued**

The Company operates 150 manufacturing sites in 35 countries. The United States is home to 42 of these sites, representing 53 percent of the Company's long-lived assets. Sales are attributed to geographic areas based on customer location; long-lived assets are attributed to geographic areas based on asset location.

<b>Geographic Area Information</b>				
In millions	<i>United States</i>	<i>Europe (1)</i>	<i>Rest of World</i>	<i>Total</i>
<b>2007</b>				
Sales to external customers	\$18,271	\$19,614	\$15,628	\$53,513
Long-lived assets (2)	\$7,586	\$4,542	\$2,260	\$14,388
<b>2006</b>				
Sales to external customers	\$18,172	\$16,776	\$14,176	\$49,124
Long-lived assets (2)	\$7,505	\$3,946	\$2,271	\$13,722
<b>2005</b>				
Sales to external customers	\$17,524	\$15,561	\$13,222	\$46,307
Long-lived assets (2)	\$7,314	\$3,676	\$2,547	\$13,537

(1) Sales to customers in the Middle East and Africa, previously reported with Europe, are now aligned with Rest of World; prior year sales have been adjusted to reflect this realignment.

(2) Long-lived assets in Germany represented approximately 14 percent of the total at December 31, 2007 and 11 percent of the total at December 31, 2006 and December 31, 2005.

**The Dow Chemical Company and Subsidiaries**

**Selected Quarterly Financial Data**

In millions, except per share amounts

(Unaudited)

<b>2007</b>		<i>1st</i>	<i>2nd</i>	<i>3rd</i>	<i>4th</i>	<i>Year</i>
Net sales	\$	12,432	\$ 13,265	\$ 13,589	\$ 14,227	\$ 53,513
Cost of sales		10,605	11,398	11,864	12,533	46,400
Gross Margin		1,827	1,867	1,725	1,694	7,113
Restructuring (charges) credit		-	4	-	(582)	(578)
Purchased in-process research and development (charges) credit		-	-	(59)	2	(57)
Net income available for common stockholders		973	1,039	403	472	2,887
Earnings per common share - basic (1)		1.01	1.09	0.42	0.50	3.03
Earnings per common share - diluted (1)		1.00	1.07	0.42	0.49	2.99
Common stock dividends declared per share of common stock		0.375	0.42	0.42	0.42	1.635
Market price range of common stock: (2)						
High		47.26	47.60	47.96	47.43	47.96
Low		39.02	43.71	38.89	39.20	38.89

<b>2006</b>		<i>1st</i>	<i>2nd</i>	<i>3rd</i>	<i>4th</i>	<i>Year</i>
Net sales	\$	12,020	\$ 12,509	\$ 12,359	\$ 12,236	\$ 49,124
Cost of sales		9,803	10,624	10,600	10,499	41,526
Gross Margin		2,217	1,885	1,759	1,737	7,598
Restructuring charges		-	-	(579)	(12)	(591)
Asbestos-related credit		-	-	-	177	177
Net income available for common stockholders		1,214	1,023	512	975	3,724
Earnings per common share - basic (1)		1.25	1.06	0.53	1.02	3.87
Earnings per common share - diluted		1.24	1.05	0.53	1.00	3.82
Common stock dividends declared per share of common stock		0.375	0.375	0.375	0.375	1.50
Market price range of common stock: (2)						
High		45.15	43.10	39.98	41.55	45.15
Low		40.26	37.01	33.00	38.13	33.00

See Notes to the Consolidated Financial Statements.

(1) Due to a decline in the share count, the sum of the four quarters does not equal the earnings per share amount calculated for the year.

(2) Composite price as reported by the New York Stock Exchange.

**The Dow Chemical Company and Subsidiaries**  
**PART II**

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this Annual Report on Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

**Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, any system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

Management assessed the effectiveness of the Company's internal control over financial reporting and concluded that, as of December 31, 2007, such internal control is effective. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

The Company's independent auditors, Deloitte & Touche LLP, with direct access to the Company's Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company. Their report on the consolidated financial statements is included in Part II, Item 8. Financial Statements and Supplementary Data. Deloitte & Touche LLP's report on the Company's internal control over financial reporting is included herein.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris  
President, Chief Executive Officer and  
Chairman of the Board

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei  
Executive Vice President and Chief Financial Officer

/s/ WILLIAM H. WEIDEMAN

William H. Weideman  
Vice President and Controller  
February 13, 2008

**The Dow Chemical Company and Subsidiaries**  
**PART II**

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**Report of Independent Registered Public Accounting Firm**

*To the Board of Directors and Stockholders of  
The Dow Chemical Company:*

We have audited the internal control over financial reporting of The Dow Chemical Company and subsidiaries ("the Company") as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the Index at Item 15 (a) 2. as of and for the year ended December 31, 2007 of the Company and our report dated February 14, 2008 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP  
Midland, Michigan  
February 14, 2008

**The Dow Chemical Company and Subsidiaries**  
**PART II**

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**ITEM 9B. OTHER INFORMATION.**

None.

**The Dow Chemical Company and Subsidiaries**  
**PART III**

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**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Information relating to Directors, certain executive officers and certain corporate governance matters (including identification of Audit Committee members and financial expert(s)) is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008, and is incorporated herein by reference. See also the information regarding executive officers of the registrant set forth in Part I under the caption "Executive Officers of the Registrant" in reliance on General Instruction G to Form 10-K.

On July 10, 2003, the Board of Directors of the Company adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer, and is incorporated herein by reference to Exhibit 14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

**ITEM 11. EXECUTIVE COMPENSATION.**

Information relating to executive compensation and the Company's equity compensation plans is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008, and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

Information with respect to beneficial ownership of Dow common stock by each Director and all Directors and executive officers of the Company as a group is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held May 15, 2008, and is incorporated herein by reference.

Information relating to any person who beneficially owns in excess of 5 percent of the total outstanding shares of Dow common stock is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held May 15, 2008, and is incorporated herein by reference.

Information with respect to compensation plans under which equity securities are authorized for issuance is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008, and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

There were no reportable relationships or related transactions in 2007.

Information relating to director independence is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008, and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

Information with respect to fees and services related to the Company's independent auditors, Deloitte & Touche LLP, and the disclosure of the Audit Committee's pre-approval policies and procedures are contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008, and are incorporated herein by reference.

**The Dow Chemical Company and Subsidiaries**  
**PART IV**

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**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

(a) The following documents are filed as part of this report:

- (1) The Company's 2007 Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.
- (2) Financial Statement Schedules – The following Financial Statement Schedule should be read in conjunction with the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm included in Part II, Item 8 of this Annual Report on Form 10-K:

Schedule II      Valuation and Qualifying Accounts

Schedules other than the one listed above are omitted due to the absence of conditions under which they are required or because the information called for is included in the Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.

- (3) Exhibits – See the Exhibit Index on pages 121-124 of this Annual Report on Form 10-K for exhibits filed with this Annual Report on Form 10-K or incorporated by reference. The following exhibits, listed on the Exhibit Index, are filed with this Annual Report on Form 10-K:

Exhibit No.	Description of Exhibit
10(s)	A copy of the Summary Plan Description for The Dow Chemical Company Company-Paid Life Insurance Plan, Employee-Paid Life Insurance Plan, and Dependent Life Insurance Plan, amended and restated on February 7, 2008, for the Plan Year beginning January 1, 2008.
10(t)	A copy of the Summary Plan Description for The Dow Chemical Company Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan, and Retiree Dependent Life Insurance Plan, amended and restated on October 1, 2007, effective as of January 1, 2008.
10(u)	A copy of the Amended and Restated 2003 Non-Employee Directors' Stock Incentive Plan, adopted by the Board of Directors of The Dow Chemical Company on December 10, 2007; originally incorporated by reference to Appendix C to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 8, 2003; as Section 13(a) thereof was amended by the Board of Directors of The Dow Chemical Company on October 11, 2007, incorporated by reference to Exhibit 10(ii) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10(jj)	A copy of a form of a Change in Control Executive Severance Agreement - Tier 1.
10(kk)	A copy of a form of a Change in Control Executive Severance Agreement - Tier 2.
21	Subsidiaries of The Dow Chemical Company.
23(a)	Consent of Independent Registered Public Accounting Firm.
23(b)	Analysis, Research & Planning Corporation's Consent.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

A copy of any exhibit can be obtained via the Internet through the Company's Investor Relations webpage on [www.dow.com](http://www.dow.com), or the Company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the Vice President and Controller of the Company at the address of the Company's principal executive offices.



**The Dow Chemical Company and Subsidiaries**  
**Valuation and Qualifying Accounts**

**Schedule II**

(In millions)

For the Years Ended December 31

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Description	Balance at Beginning of Year	Additions to Reserves	Deductions from Reserves	Balance at End of Year
<b>2007</b>				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$122	14	18 (a)	\$118
Other investments and noncurrent receivables	\$365	122	14	\$473
<b>2006</b>				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$169	9	56 (a)	\$122
Other investments and noncurrent receivables	\$329	47	11	\$365
<b>2005</b>				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$136	52	19 (a)	\$169
Other investments and noncurrent receivables	\$319	29	19	\$329

(a) Deductions represent:

	2007	2006	2005
Notes and accounts receivable written off	\$22	\$44	\$12
Credits to profit and loss	-	1	3
Miscellaneous other	(4)	11	4
	\$18	\$56	\$19

**The Dow Chemical Company and Subsidiaries**  
**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 18th day of February 2008.

THE DOW CHEMICAL COMPANY

By: /s/ W. H. WEIDEMAN  
W. H. Weideman, Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 18th day of February 2008 by the following persons in the capacities indicated:

/s/ A. A. ALLEMANG  
A. A. Allemang, Director and Senior Advisor

/s/ G. E. MERSZEI  
G. E. Merszei, Director, Executive Vice President and Chief Financial Officer

/s/ J. K. BARTON  
J. K. Barton, Director

/s/ D. H. REILLEY  
D. H. Reilley, Director

/s/ J. A. BELL  
J. A. Bell, Director

/s/ J. M. RINGLER  
J. M. Ringler, Director

/s/ J. M. FETTIG  
J. M. Fettig, Director

/s/ R. G. SHAW  
R. G. Shaw, Director

/s/ B. H. FRANKLIN  
B. H. Franklin, Director

/s/ P. G. STERN  
P. G. Stern, Presiding Director

/s/ J. B. HESS  
J. B. Hess, Director

/s/ W. H. WEIDEMAN  
W. H. Weideman, Vice President and Controller

/s/ A. N. LIVERIS  
A. N. Liveris, Director, President, Chief Executive Officer and Chairman of the Board

**The Dow Chemical Company and Subsidiaries**  
**Exhibit Index**

EXHIBIT NO.	DESCRIPTION
2	Agreement and Plan of Merger dated as of August 3, 1999 among Union Carbide Corporation, The Dow Chemical Company and Transition Sub Inc., incorporated by reference to Annex A to the proxy statement/prospectus included in The Dow Chemical Company's Registration Statement on Form S-4, File No. 333-88443, filed October 5, 1999.
3(i)	The Restated Certificate of Incorporation of The Dow Chemical Company as filed with the Secretary of State, State of Delaware on May 11, 2007, incorporated by reference to Exhibit 3(i) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
3(ii)	The Bylaws of The Dow Chemical Company, as amended and re-adopted in full on April 13, 2006, effective May 11, 2006, incorporated by reference to Exhibit 3(ii) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2006; as amended and re-adopted in full on February 13, 2008, effective June 1, 2008, incorporated by reference to Exhibit 99.1 to The Dow Chemical Company Current Report on Form 8-K filed on February 15, 2008.
4	Indenture, dated as of April 1, 1992, between The Dow Chemical Company and the First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4.1 to The Dow Chemical Company's Registration Statement on Form S-3, File No. 333-88617 (the "S-3 Registration Statement")), as amended by the Supplemental Indenture, dated as of January 1, 1994, between The Dow Chemical Company and The First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4.2 to the S-3 Registration Statement), as amended by the Second Supplemental Indenture, dated as of October 1, 1999, between The Dow Chemical Company and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as trustee (incorporated by reference to Exhibit 4.3 to the S-3 Registration Statement), as amended by the Third Supplemental Indenture, dated as of May 15, 2001, between The Dow Chemical Company and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as trustee (incorporated by reference to Exhibit 4.4 to The Dow Chemical Company's Registration Statement on Form S-4, File No. 333-67368); and all other such indentures that define the rights of holders of long-term debt of The Dow Chemical Company and its consolidated subsidiaries as shall be requested to be furnished to the Securities and Exchange Commission pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.
10(a)	The Dow Chemical Company Executives' Supplemental Retirement Plan, amended and restated on December 31, 2006, effective as of January 1, 2005, incorporated by reference to Exhibit 10(a) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2006.
10(b)	The Dow Chemical Company 1979 Award and Option Plan, as amended through May 1983 (included as part of and incorporated by reference to the Prospectus contained in Post-Effective Amendment No. 4 to The Dow Chemical Company's Registration Statement on Form S-8, File No. 2-64560, filed June 23, 1983), as amended April 12, 1984 (incorporated by reference to Exhibit 10(ff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1984), as amended April 18, 1985 (incorporated by reference to Exhibit 10(fff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1985), as amended October 30, 1987 (incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1987).
10(c)	The Dow Chemical Company Voluntary Deferred Compensation Plan for Outside Directors (for deferrals made through December 31, 2004), as amended effective as of July 1, 1994, incorporated by reference to Exhibit 10(f) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994, as amended in the manner described in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998, incorporated by reference.
10(d)	Intentionally left blank.
10(e)	The Dow Chemical Company Dividend Unit Plan, incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992.

**The Dow Chemical Company and Subsidiaries**  
**Exhibit Index**

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EXHIBIT NO.	DESCRIPTION
10(f)	The Dow Chemical Company 1988 Award and Option Plan (included as part of and incorporated by reference to the Prospectus contained in The Dow Chemical Company's Registration Statement on Form S-8, File No. 33-21748, filed May 16, 1988); as amended during 1991 (incorporated by reference to Exhibit 10(k) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1991); as amended effective as of January 1, 1997 (incorporated by reference to Appendix A to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 15, 1997); as amended pursuant to shareholder approval granted on May 9, 2002 (incorporated by reference to Agenda Item 3 of the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 9, 2002); as Section 15.08(i) thereof was amended and restated by a resolution adopted by the Board of Directors of The Dow Chemical Company on February 9, 2006 (incorporated by reference to Exhibit 10(f) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).
10(g)	Intentionally left blank.
10(h)	The Dow Chemical Company 1994 Executive Performance Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 12, 1994.
10(i)	The Dow Chemical Company 1994 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10(o) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994.
10(j)	Intentionally left blank.
10(k)	A written description of the 1998 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998.
10(l)	A written description of compensation for Directors of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008.
10(m)	A written description of the manner in which compensation is set for the Executive Officers of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008.
10(n)	A resolution adopted by the Board of Directors of The Dow Chemical Company on May 5, 1971, and most recently amended on July 9, 1998, describing the employee compensation program for decelerating Directors, incorporated by reference to Exhibit 10(p) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1998; as amended, re-adopted in full and restated on March 21, 2003, incorporated by reference to Exhibit 10(n) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2003; as amended, re-adopted in full and restated on February 10, 2005, incorporated by reference to Exhibit 10(n) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
10(o)	The template used for The Dow Chemical Company Key Employee Insurance Program ("KEIP"), which provides benefits using insurance policies that replace benefits otherwise payable under The Dow Chemical Company Executives' Supplemental Retirement Plan and Company-Paid Life Insurance Plan, incorporated by reference to Exhibit 10(o) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2002. KEIP is a component of the annual pension benefits listed in and incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 15, 2008.

**The Dow Chemical Company and Subsidiaries**  
**Exhibit Index**

EXHIBIT NO.	DESCRIPTION
10(p)	The Dow Chemical Company Elective Deferral Plan (for deferrals made through December 31, 2004), amended and restated as of September 1, 2006, incorporated by reference to Exhibit 10(p) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
10(q)	Intentionally left blank.
10(r)	Intentionally left blank.
10(s)	A copy of the Summary Plan Description for The Dow Chemical Company Company-Paid Life Insurance Plan, Employee-Paid Life Insurance Plan, and Dependent Life Insurance Plan, amended and restated on February 7, 2008, for the Plan Year beginning January 1, 2008.
10(t)	A copy of the Summary Plan Description for The Dow Chemical Company Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan, and Retiree Dependent Life Insurance Plan, amended and restated on October 1, 2007, effective as of January 1, 2008.
10(u)	A copy of the Amended and Restated 2003 Non-Employee Directors' Stock Incentive Plan, adopted by the Board of Directors of The Dow Chemical Company on December 10, 2007; originally incorporated by reference to Appendix C to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 8, 2003; as Section 13(a) thereof was amended by the Board of Directors of The Dow Chemical Company on October 11, 2007, incorporated by reference to Exhibit 10(ii) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
10(v)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 1994 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10.1 to The Dow Chemical Company Current Report on Form 8-K filed on September 3, 2004.
10(w)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 2003 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to Exhibit 10(w) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(x)	Performance Shares Deferred Stock Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(x) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(y)	Deferred Stock Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(y) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(z)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(z) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(aa)	Settlement Agreement and General Release between Richard L. Manetta and The Dow Chemical Company dated December 10, 2004, incorporated by reference to Exhibit 10.1 to The Dow Chemical Company Current Report on Form 8-K filed on December 16, 2004.
10(bb)	Deferred Compensation Agreement between Richard L. Manetta and The Dow Chemical Company dated December 10, 2004, incorporated by reference to Exhibit 10.2 to The Dow Chemical Company Current Report on Form 8-K filed on December 16, 2004.
10(cc)	The Dow Chemical Company Voluntary Deferred Compensation Plan for Non-Employee Directors, effective for deferrals after January 1, 2005, incorporated by reference to Exhibit 10(cc) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2004.

**The Dow Chemical Company and Subsidiaries**  
**Exhibit Index**

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EXHIBIT NO.	DESCRIPTION
10(dd)	The Dow Chemical Company Elective Deferral Plan, effective for deferrals after January 1, 2005, amended on November 1, 2006, incorporated by reference to Exhibit 10(dd) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2006.
10(ee)	The template for communication to employee Directors who are decelerating pursuant to The Dow Chemical Company Retirement Policy for Employee Directors, incorporated by reference to Exhibit 10(ee) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
10(ff)	Purchase and Sale Agreement dated as of September 30, 2005 between Catalysts, Adsorbents and Process Systems, Inc. and Honeywell Specialty Materials LLC, incorporated by reference to Exhibit 10(ff) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
10(gg)	Employment agreement with Geoffery Merszei, Executive Vice President and Chief Financial Officer, incorporated by reference to Exhibit 10(gg) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2005.
10(hh)	Employment agreement dated June 18, 2005, between William F. Banholzer and The Dow Chemical Company, incorporated by reference to the Current Report on Form 8-K filed on March 16, 2006.
10(ii)	Intentionally left blank.
10(jj)	A copy of a form of a Change in Control Executive Severance Agreement - Tier 1.
10(kk)	A copy of a form of a Change in Control Executive Severance Agreement - Tier 2.
14	Code of Ethics for Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, incorporated by reference to Exhibit 14 to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2003.
21	Subsidiaries of The Dow Chemical Company.
23(a)	Consent of Independent Registered Public Accounting Firm.
23(b)	Analysis, Research & Planning Corporation's Consent.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**The Dow Chemical Company and Subsidiaries  
Trademark Listing**

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The following trademarks or service marks of The Dow Chemical Company and certain affiliated companies of Dow appear in this report: AFFINITY, AMBITROL, AMPLIFY, ASPUN, ATTANE, BETABRACE, BETADAMP, BETAFOAM, BETAGUARD, BETAMATE, BETASEAL, CALIBRE, CANGUARD, CARBITOL, CARBOWAX, CELLOSIZ, CELLOSOLVE, COMBOTHERM, CONTINUUM, CYCLOTENE, D.E.H., D.E.N., D.E.R., DOW, DOW XLA, DOWCAL, DOWEX, DOWEX QCAT, DOWFAX, DOWFLAKE, DOWFROST, DOWICIDE, DOWLEX, DOWPER, DOWTHERM, ELITE, EMERGE, ENFORCER, ENGAGE, ENHANCER, EQUIFOAM, ETHOCEL, EVOCAR, FILMTEC, FLEXOMER, FORTEFIBER, FOUNDATIONS, FROTH-PAK, GREAT STUFF, IMMOTUS, IMPAXX, INSITE, INSPIRE, INSTA-STIK, INTEGRAL, ISONATE, ISOPLAST, LIQUIDOW, LP OXO, MAGNUM, MAXIBOOST, MAXICHECK, MAXISTAB, METEOR, METHOCEL, NEOCAR, NORDEL, NORKOOL, NORMAX, OMEXELL, OPTIM, PAPI, PELADOW, PELLETHANE, PFÈNEX EXPRESSION TECHNOLOGY, POLYOX, POLYPHOBE, PRIMACOR, PROCITE, PULSE, QBIS, QUASH, REDI-LINK, SAFE-TAINER, SARAN, SARANEX, SENTRY, SHAC, SI-LINK, SILK, SPECFLEX, SPECTRIM, STRANDFOAM, STYROFOAM, STYRON, STYRON A-TECH, STYRON C-TECH, SYMMATRIX, SYNALOX, SYNERGY, SYNTEGRA, TERGITOL, TILE BOND, TRENCHCOAT, TRITON, TRYMER, TUFLIN, TYRIL, TYRIN, UCAR, UCARHIDE, UCARKLEAN, UCARSOL, UCARTHERM, UCON, UNIGARD, UNIPOL, UNIPURGE, UNIVAL, VERSENE, VERSIFY, VORACOR, VORACTIV, VORALAST, VORALUX, VORANATE, VORANOL, VORASTAR, WALOCEL, WEATHERMATE

The following trademarks or service marks of Dow AgroSciences LLC and certain affiliated companies of Dow AgroSciences LLC appear in this report: CLINCHER, DITHANE, FORTRESS, GARLON, GLYPHOMAX, GRANITE, HERCULEX, KEYSTONE, LAREDO, LONTREL, LORSBAN, MILESTONE, MUSTANG, MYCOGEN, NEXERA, PHYTOGEN, PROFUME, SENTRICON, STARANE, TELONE, TORDON, TRACER NATURALYTE, VIKANE, WIDESTRIKE

The following registered service mark of American Chemistry Council appears in this report: Responsible Care

The following trademark of Dow Corning Corporation appears in this report: SYLTHERM  
Dow is a distributor of SYLTHERM products manufactured by Dow Corning Corporation

The following trademark of Ann Arbor Technical Services, Inc. appears in this report: GeoMorph

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**Summary Plan Description for:**

**The Dow Chemical Company  
Company-Paid Life Insurance Plan  
Employee-Paid Life Insurance Plan  
Dependent Life Insurance Plan**

**(Applicable to Active Salaried Employees and Active Hourly Employees Whose Collective Bargaining Unit has Agreed to this Plan)**

Amended and Restated: February 7, 2008

Effective for the Plan Year beginning January 1, 2008 and thereafter until superseded

This Summary Plan Description (SPD) is updated annually on the Dow Intranet.

See also the Choices enrollment brochures, which are published annually for summaries of the most recent modifications to this SPD. Copies of any of the above can be found on the Dow Intranet or by requesting a copy from the Human Resources (HR) Service Center, Employee Development Center, Midland, MI 48674, telephone 1-877-623-8079 or 1-989-638-8757. Summaries of modifications may also be published from time to time in Dow's Newsline publication or by separate letter.

### **Overview**

This booklet is the Summary Plan Description (SPD) for The Dow Chemical Company Group Life Insurance Program's Company-Paid Life Insurance Plan ("Company-Paid Life Insurance Plan"). It is also the SPD for The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Employee-Paid Life Insurance Plan ("Employee-Paid Life Insurance Plan") and Dependent Life Insurance Plan ("Dependent Life Insurance Plan"). These plans are collectively referred to in this SPD as "Plans". Individually, each plan may be referred to as "Plan", in its respective Chapter of this SPD. References to "Dow" refer collectively to The Dow Chemical Company and its subsidiaries and affiliates authorized to participate in the Plans.

Chapter One applies to the Company-Paid Life Insurance Plan. The Company-Paid Life Insurance Plan is part of The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507). It provides group term life insurance coverage underwritten by Metropolitan Life Insurance Company ("MetLife"). The premium is paid by Dow. It provides automatic coverage for eligible Employees.

Chapter Two applies to the Employee-Paid Life Insurance Plan. It is part of The Dow Chemical Company Employee-Paid Life Insurance and Dependent Life Insurance Program (ERISA Plan #515). It provides group term life insurance coverage underwritten by MetLife. You must enroll and pay the premiums for this coverage to receive it.

Chapter Three applies to the Dependent Life Insurance Plan. It is part of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515). It provides group term life insurance coverage underwritten by MetLife. You must enroll and pay the premiums for this coverage to receive it.

Words that are capitalized are either defined in this SPD or the applicable Plan Document. The applicable Plan Document for the Company-Paid Life Insurance Plan is The Dow Chemical Company Group Life Insurance Program Plan Document. The applicable Plan Document for the Employee-Paid Life Insurance and Dependent Life Insurance Plans is The Dow Chemical Company Employee-Paid Life Insurance and Dependent Life Insurance Program Plan Document. The Plan Documents are available by requesting from the applicable Plan Administrator listed in the *ERISA Information* section of this SPD.

References to "Participating Employer" refer to The Dow Chemical Company or any other corporation or business entity The Dow Chemical Company authorizes to participate in the Plans with respect to its Employees. The terms "Dow" and "Participating Employers" have the same meaning, and may be used interchangeably in this SPD. The term "Employee" means a person who:



- a. is employed by a Participating Employer to perform personal services in an employer-employee relationship which is subject to taxation under the Federal Insurance Contribution Act or similar federal statute; and
- b. receives payment for services performed for the Participating Employer directly from the Company's U.S. Payroll Department, or another Participating Employer's U.S. Payroll Department; and
- c. is either a Salaried individual who is classified by the Participating Employer as having "regular full-time status" or "less-than-full-time status", or a Bargained-for individual who is classified by the Participating Employer as having "regular full-time active status", and
- d. if Localized, is Localized in the U.S., and
- e. if on an international assignment, is either a U.S. citizen or Localized in the U.S.

The definition of "Employee" does not include an individual who performs services for the benefit of a Participating Employer if his compensation is paid by an entity or source other than the Company's U.S. Payroll Department or another Participating Employer's U.S. payroll Department. Further, the definition of "Employee" does not include any individual who is characterized by the Participating Employer as an independent contractor, contingent worker, consultant, contractor, or similar term. These individuals are not "Employees" (with a capital "E") for purposes of the Plan even if such an individual is determined by a court or regulatory agency to be a "common law employee" of a Participating Employer.

## Chapter One Company-Paid Life Insurance

### Plan Description

Except for Michigan Operations Hourly Employees who were not Actively at Work on January 1, 2008, the Company-Paid Life Insurance Plan provides coverage of one times (1X) your base annual salary rounded up to the next \$1,000 for Salaried Employees and Hourly Employees whose collective bargaining unit has agreed to this plan. Michigan Operations Hourly Employees who were not Actively at Work on January 1, 2008 but continue to be on the payroll (for example due to a paid medical leave of absence) and were covered at 1/2X prior to January 1, 2008, may continue 1/2X coverage as long as they continue to be on the payroll. If they return to work, their coverage will increase to 1X when they are Actively at Work. MetLife is the named fiduciary for making decisions as to whether a Claim for Benefits is payable.

As of January 1, 2005, the following plans have been merged into the Company-Paid Life Insurance Plan: The Dow Chemical Company Group Life Insurance Program's Michigan Hourly Company-Paid Life Insurance Plan; The Dow Chemical Company Group Life Insurance Program's Hampshire Hourly Company-Paid Life Insurance Plan; and The Dow Chemical Company Group Life Insurance Program's ANGUS Hourly Company-Paid Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of The Dow Chemical Company Group Life Insurance Program's Company-Paid Life Insurance Plan.

The Company-Paid Life Insurance Plan is referred to in Chapter One as the "Plan".

### Eligibility

#### *Salaried Employees*

Salaried Employees of a Participating Employer with regular, active, Full-Time or Less-Than-Full-Time status are eligible and are automatically covered under this Plan<sup>1</sup>, except as follows:

<sup>1</sup> If you were enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on September 30, 2002, and you signed a waiver of all your rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between you and The Dow Chemical Company, you are eligible until you no longer have active Employee status, or until you elect to waive coverage. In addition, if you were enrolled in the Union Carbide Corporation Executive Life Insurance Plan ("UCC Executive Life") on October 31, 2002, and had active Employee status on the date that your Agreement and Collateral Assignment between you and Union Carbide Corporation were terminated, you are eligible until you no longer have active Employee status, or until you elect to waive coverage. Once coverage is waived, you will not be allowed to re-enroll in the future.

1. Employees enrolled in the Key Employee Insurance Program ("KEIP") are not eligible for active Employee or Retiree Company-Paid Life Insurance coverage, except that on the later of "program completion date" or "retirement" (as those terms are defined in KEIP), if the Employee would otherwise have been eligible for coverage under the Company-Paid Life Insurance Plan, the Employee may resume eligibility for the Plan; and
2. Employees who were enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan ("Dow Split Dollar") on September 30, 2002, who have not waived their rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement, are not eligible for coverage under the Company-Paid Life Insurance Plan.

#### Hourly Employees

Eligibility of Hourly Employees depends on whether the applicable collective bargaining unit and the Participating Employer have agreed to this Plan. With respect to a collective bargaining agreement that specifically addresses which Employees are eligible or not eligible for this Plan, the terms of such collective bargaining agreement shall govern. If the terms of the collective bargaining agreement specify that Hourly Employees shall be provided this Plan, but does not specifically address the category of Employees that are eligible or not eligible, then the Plan will provide eligibility to regular, active Employees with Full Time status who are members of the collective bargaining unit.

#### Employees on a Leave of Absence

Eligibility for benefits under the Plan may continue during certain leaves of absences approved by the Participating Employer such as under the Company's Family Leave Policy or Medical Leave Policy. The benefits under the Plan shall be administered consistent with the terms of such approved leaves of absences.

#### Disabled Employees

If you are being paid a benefit from The Dow Chemical Company Long Term Disability Income Protection Plan ("LTD"), The Dow Chemical Company Michigan Hourly Contract Disability Plan, The Dow Chemical Company Texas Operations Total and Permanent Disability Plan, or the Dow AgroSciences Long Term Disability Insurance Plan you may be eligible under the Plan. See the *Special Coverage for Certain Disabled Persons* section of this SPD.

#### Plan Administrator Determines Eligibility

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan, or have been told that you are not, see the Claims Procedures Appendix of this SPD.

#### **Enrollment**

Completing an enrollment form is necessary only to name your beneficiary. You may waive coverage. If you want to waive coverage, you must provide written notification to the U.S. Benefits Center. **If you waive coverage, you waive coverage permanently. You may not re-enroll in this Plan at any time in the future.**

#### **Employee Contribution**

Dow provides Company-Paid Life Insurance at no cost to you.

**Amount of Coverage.****Maximum Coverage**

The maximum amount of coverage available is \$1.5 million<sup>2</sup>.

**Salaried Employees and Hourly Employees Whose Collective Bargaining Unit Has Agreed to this Plan (excludes ANGUS and Hampshire Hourly Employees)**

Except for Michigan Operations Hourly Employees who were not Actively at Work on January 1, 2008, the Plan provides coverage of one times (1X) your base annual salary rounded up to the next \$1,000 for Salaried Employees and Hourly Employees whose collective bargaining unit has agreed to this plan. Michigan Operations Hourly Employees who were not Actively at Work on January 1, 2008 but continue to be on the payroll (for example due to a paid medical leave of absence) and were covered at 1/2X prior to January 1, 2008, may continue 1/2X coverage as long as they continue to be on the payroll. If they return to work, their coverage will increase to 1X when they are Actively at Work. Your coverage automatically is adjusted as your base salary changes, provided you are Actively at Work. If you are Less-Than-Full-Time, your 1X coverage is based on your Full-Time base annual salary, and coverage is automatically adjusted as your base salary changes. Whether you are Full-Time or Less-Than-Full-Time, if you are not Actively at Work, any increase to your life insurance will not be effective until you return to work.

**ANGUS and Hampshire Hourly Employees**

This paragraph only applies to ANGUS and Hampshire Hourly active Employees. Your benefit is equal to one times (1X) your annual pay calculated using your base hourly rate, rounded up to the next \$1,000. Your coverage is automatically adjusted each January 1, based on your hourly rate on the preceding December 1. If you are not Actively at Work, any increase to your life insurance will not be effective until you return to work.

**Union Carbide Employees**

If you are a Union Carbide employee, your benefit will be determined using your annual pay at Union Carbide as of December 31, 2001, as determined under the provisions of the Union Carbide Basic Life Insurance Plan until your annual base salary calculated under the normal provisions of the Plan exceeds such amount. At that time, the Plan will no longer retain the December 31, 2001 Union Carbide annual pay information and will look solely to the annual base salary calculated under the normal provisions of the Plan to determine the amount of your coverage.

**Special Coverage for Certain Disabled Persons****The Dow Chemical Company Long Term Disability Income Protection Plan ("LTD")**

**Effective January 1, 2006, if your date of Full Disability (as defined under LTD) is on or after January 1, 2006, you are eligible for coverage when your LTD benefit payments begin. The following applies to you:**

If you have less than ten (10) years of service under the Dow Employees' Pension Plan ("DEPP") or the Union Carbide Employees' Pension Plan ("UCEPP"), you are eligible for up to either 12 months or 24 months of company paid life insurance coverage. Coverage ends prior to the expiration of the 12 month or 24 month period if you no longer qualify for LTD status. The 12 month period applies if you have less than one (1) year of service under DEPP or UCEPP. The 24 month period applies if you have more than one (1) year of service, but less than ten (10) years of service under DEPP or UCEPP. Currently, if you have ten (10) or more years of service you are eligible for coverage until you are no longer eligible to receive payments from LTD.

<sup>2</sup> This maximum is waived if you are an Employee who was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on September 30, 2002, and you signed a waiver of all your rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between you and The Dow Chemical Company. This maximum is also waived if you were enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2002, and you were an active Employee on the date that your Agreement and Collateral Assignment between you and Union Carbide Corporation were terminated.

The amount of coverage is the same as the amount of coverage you had on the date you were last Actively at Work. Currently, the Company pays the cost of this coverage.

**If your date of Full Disability (as defined under LTD) is prior to January 1, 2006, you are eligible for coverage when your LTD benefit payments begin<sup>3</sup>. The following applies to you:**

You are eligible for the same amount of coverage you had on the date you were last Actively at Work. Currently, the Company pays the cost of this coverage. Currently, coverage continues until you are no longer eligible to receive payments from LTD.

You are also eligible for an additional amount of coverage, which is determined by the amount of Employee-Paid Life coverage you were enrolled in as an active Employee immediately prior to being approved to receive LTD payments, but not to exceed 1X (For example, if you were enrolled for 6X as an active Employee, your coverage would be reduced to 1X). Currently, the Company pays the cost of this coverage. Currently, coverage continues until you are no longer eligible to receive payments from LTD.

For salaried employees, base annual salary is used to calculate the life insurance amount. For bargained-for employees, annual pay calculated using your base hourly rate is used. The rate for bargained-for ANGUS and Hampshire Hourly employees is updated each January using the hourly rate as of the preceding December 1.

#### **Texas Total and Permanent Disability**

If you were enrolled in the Texas Operations Hourly Total and Permanent Disability Plan (T&P Plan) and you were deemed to be "totally and permanently disabled" by the plan administrator of that plan, and it was determined that you are eligible to be in benefits pay status by the plan administrator of that plan, you are eligible for coverage under the Company-Paid Life Insurance Plan equal to the amount of coverage you were enrolled in under the Texas Operations Hourly Optional Life Insurance Contributory Plan (Contributory Life) at the time you became totally and permanently disabled. Coverage ends the earlier of: 1) you are determined to no longer be "totally & permanently disabled" by the plan administrator of the T&P Plan, or 2) you reach age 65.

#### **Contract Disability Participants**

If you have been determined to be "totally and permanently disabled" by the claims administrator of The Dow Chemical Company Michigan Hourly Contract Disability Plan ("Contract Disability Plan"), and are receiving benefit payments from that plan, the same coverage you had as an active Employee will continue until you are age 65. Eligibility for coverage ends earlier if you no longer are eligible for benefit payments under the Contract Disability Plan. If you were Actively at Work at age 65 or older and subsequently became approved for benefits by the Contract Disability plan administrator, your coverage will be determined by applying the appropriate percentage from the following table to your base annual hourly rate effective the day before you qualified to receive benefit payments under the Contract Disability Plan, with a minimum of \$5,000.

<u>Your Age</u>	<u>Percentage</u>
65	50 percent
66	30 percent
67	10 percent
68	5 percent

On and after your 70<sup>th</sup> birthday, the amount of your Retiree Company-Paid Life Insurance benefits will be \$5,000. Currently, the Company pays the cost of this coverage.

<sup>3</sup> This also applies to those who were disabled prior to January 1, 2006, and were approved to receive benefit payments for such disability under the Dow AgroSciences Long Term Disability Insurance Plan.

### Effective Dates of Coverage.

**Beginning.** Your coverage begins on your first day of active employment as an Employee of a Participating Employer, unless you were a former participant of The Dow Chemical Company Executive Split Dollar Life Insurance Plan or the Union Carbide Corporation Executive Life Insurance Plan as described above in the Eligibility section, in which case your coverage begins the first day of the month following the termination of your participation in such executive life insurance plan.

### **Ending.**

Your Company-Paid Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date you no longer meet the eligibility requirements of the Plan; or
- The date your employment ends.

### Porting Coverage to a Term Life Policy

If your Company-Paid Life Insurance coverage ends because your employment ends, your coverage may be continued on a direct bill basis with MetLife through the portability feature. This feature allows employees to continue their Group Term Life coverage under a separate group policy without providing proof of insurability. Rates for this coverage are different from the active plan rates and the employee must port a minimum of \$20,000 to exercise this option. You have 31 days from the date your coverage ends to apply for Portability. You may continue the same or lesser amount of coverage. For Michigan residents, there is a limit to the amount of coverage you are allowed to port. If you are unable to continue your entire life insurance amount through Portability, you may apply for Conversion of the balance. Contact MetLife at **1-866-492-6983** if you have any questions or want to apply for Portability.

### Converting to an Individual Policy

If your Company-Paid Life Insurance coverage is reduced due to retirement, the amount of coverage you lost may be converted to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of Company-Paid Life Insurance you lost under the Company-Paid Life Insurance Plan.

If your Company-Paid Life Insurance coverage ends because your employment ends, your coverage may be converted to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of Company-Paid Life Insurance in effect for you under the Company-Paid Life Insurance Plan on the date your employment ends.

If your Company-Paid Life Insurance coverage ends because Dow has cancelled the Company-Paid Life Insurance coverage under the MetLife group life insurance policy, or Dow has amended the Company-Paid Life Insurance Plan to exclude coverage for your work group, you may convert your Company-Paid Life Insurance coverage to an individual non-term MetLife policy; provided you have been covered under the Company-Paid Life Insurance Plan for at least 5 years immediately prior to losing coverage under the Company-Paid Life Insurance Plan. The amount you may convert is limited to the lesser of:

- the amount of Company-Paid Life Insurance for you that ends under the Group Policy less the amount of life insurance for which you become eligible under any group policy within 31 days after the date insurance ends under the Group Policy; or
- \$2,000.

You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or reduced. Contact the Dow HR Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-877-275-6387 to file your form, or to obtain further information. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

## Reporting Imputed Income

The Internal Revenue Code requires that the cost of Company-Paid Life Insurance in excess of \$50,000 be reported as taxable income ("imputed income"). This imputed income will be reported on your W-2 Form in addition to your other taxable income. Former participants of The Dow Chemical Company Split Dollar Life Insurance Plan and the Union Carbide Corporation Executive Life Insurance Plan are not eligible for the \$50,000 exclusion.

The cost of your Company-Paid Life Insurance in excess of \$50,000 is based on a Uniform Premium Table established by the federal government. If you are an Hourly Employee of Michigan Operations, the cost of your combined Company-Paid Life and Employee-Paid Life in excess of \$50,000 is taxable income and is determined based on the Uniform Premium Table established by the federal government.

If your Company Paid Life coverage is greater than \$50,000, and you want to decrease the amount of coverage from 1X to \$50,000, you may elect to do so by contacting the HR Service Center. Once coverage is reduced, it may not be reinstated.

## Naming Your Beneficiary

You designate your beneficiary on the Company-Paid Life Beneficiary Designation form, available from the Intranet or the HR Service Center. A contingent beneficiary is recommended. If you fail to name a beneficiary, MetLife may determine the beneficiary to be one or more of the following who survive you:

- Your Spouse or Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you fail to name a beneficiary, instead of making payment to any of the above, MetLife may pay your estate. Any payment made by MetLife in good faith will discharge the Plan's and MetLife's liability to the extent of such payment.

You may change your beneficiary whenever you choose by completing a beneficiary change form. Beneficiary changes are not effective until the date they are received by the U.S. Benefits Center, and are subject to approval by MetLife. You will receive written notification of your beneficiary change.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements.

## Benefit Payments

**Payment Options.** In the event of your death, your beneficiary should contact the HR Service Center. The beneficiary on record must complete and sign a claim form to receive benefits, and a certified death certificate must be provided to MetLife to disburse the life insurance proceeds. To file a Claim for a Plan Benefit, see Claims Procedures Appendix of this SPD.

## Funding

Dow pays the entire premium for the Company-Paid Life Insurance Plan. MetLife pays the benefits under an insurance policy. MetLife may combine the experience for the policy with other policies held by Dow. This means that the costs of these coverages may be determined on a combined basis, and the costs accumulated from year to year. Favorable experience under one or more coverages in a particular year may offset unfavorable experience on other coverages in the same year or offset unfavorable experience of coverages in prior years. Policy dividends declared by MetLife for the Company-Paid Life Insurance Plan are used to reduce Dow's cost for the coverage in the same and prior years.

## Accelerated Benefit Option (ABO)

Under the Accelerated Benefit Option (ABO), if you have been diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 80% of your Company-Paid Life Insurance and Employee-Paid Life Insurance benefits before death if certain requirements are met. Having access to life insurance proceeds at this important time could help ease financial and emotional burdens. In order to apply for ABO, you must be covered for at least \$10,000 from your Company-Paid Life Insurance and/or Employee-Paid Life Insurance. You may receive an accelerated benefit of up to 80 percent (minimum \$5,000 and maximum \$500,000) of your Company-Paid Life Insurance and/or Employee-Paid Life Insurance benefit. An accelerated benefit is payable in a lump sum and can be elected only once. The death benefit will be reduced by

the amount of accelerated benefit paid. Accelerated benefits are not permitted if you have assigned your life insurance benefit to another individual or to a trust.

The accelerated life insurance benefits are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986, as amended. If the accelerated benefits qualify for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Payment of the accelerated benefit will be subject to state taxes and regulations. Tax laws relating to accelerated benefits are complex. You are advised to consult with a qualified tax advisor.

Receipt of accelerated benefits may affect your eligibility, or that of your spouse/domestic partner or your family, for public assistance programs such as medical assistance (Medicaid), Aid to Families and Dependent Children (AFDC), Supplemental Security Income (SSI), and drug assistance programs. You are advised to consult with social services agencies concerning the effect receipt of accelerated benefits will have on public assistance eligibility for you, your spouse/domestic partner or your family.

If you would like to apply for the Accelerated Benefit Option, a claim form can be obtained from the HR Service Center at 1-877-623-8079 and must be completed and returned for evaluation and approval by MetLife.

### **Your Rights**

You have certain rights under the Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *ERISA Enforcement* section, *Welfare Benefits* section, *The Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section, and *ERISA Information* section at the end of this SPD.

## **Chapter Two Employee-Paid Life Insurance**

### **Plan Description**

Under the Employee-Paid Life Insurance Plan, you may select the amount of your coverage in multiples of one-half times (1/2X) your base annual salary up eight times (8X) your base annual pay. The Employee-Paid Life Insurance Plan is a group term life insurance plan. The benefits are insured by a group term life insurance policy underwritten by Metropolitan Life Insurance Company (MetLife). MetLife pays the benefits under the Plan. In addition, MetLife is the named fiduciary for making decisions as to whether a Claim for Benefits is payable.

As of January 1, 2005, the following plans have been merged into the Employee-Paid Life Insurance Plan: Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Employee-Paid Life Insurance Plan; ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Employee-Paid Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Employee-Paid Life Insurance Plan. As of January 1, 2008, the Michigan Hourly Optional Group Life Insurance Program's Employee-Paid Life Insurance Plan has been merged into the Employee-Paid Life Insurance Plan. The Employee-Paid Life Insurance Plan is referred to in Chapter Two as the "Plan".

### **Eligibility**

#### **Salaried Employees**

Salaried Employees of a Participating Employer with regular, active, Full-Time or Less-Than-Full-Time status are eligible.

#### **Hourly Employees**

Eligibility of Hourly Employees depends on whether the applicable collective bargaining unit and the Participating Employer have agreed to this Plan. With respect to a collective bargaining agreement that specifically addresses which Employees are eligible or not eligible for this Plan, the terms of such collective bargaining agreement shall govern. If the terms of the collective bargaining agreement specify that Hourly Employees shall be provided this Plan, but does not specifically address the category of Employees that are eligible or not eligible, then the Plan will provide eligibility to regular, active Employees with Full Time status who are members of the collective bargaining unit.

### **Employees on a Leave of Absence**

Eligibility for benefits under the Plan may continue during certain leaves of absences approved by the Participating Employer such as under the Company's Family Leave Policy or Medical Leave Policy. The benefits under the Plan shall be administered consistent with the terms of such approved leaves of absences.

### **Disabled Employees**

If you are being paid a benefit from The Dow Chemical Company Long Term Disability Income Protection Plan ("LTD") or the Dow AgroSciences Long Term Disability Insurance Plan you may be eligible under the Plan. See the *Special Employee Paid Coverage for Certain Disabled Persons* section of this SPD.

### **Plan Administrator Determines Eligibility**

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan, or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

### **Enrollment**

To obtain Employee-Paid Life Insurance coverage, enroll during annual enrollment or complete an enrollment form, available from the HR Service Center or the Dow Intranet. You may enroll:

- On or before your employment date, with coverage to begin on your first day of active employment if you provide a copy of your birth certificate or other proof of your age that the Plan Administrator deems appropriate. If you do not provide proof of your age that is satisfactory to the Plan Administrator within the time required by the Plan Administrator, you will not be covered.
- Within 90 days after your first day of active employment with coverage to begin on your enrollment date if you provide a copy of your birth certificate or other proof of your age that the Plan Administrator deems appropriate. If you do not provide proof of your age that is satisfactory to the Plan Administrator within the time required by the Plan Administrator, you will not be covered.
- Within 90 days of a Change-in-Status, provided you are Actively at Work. Coverage begins on the date your enrollment form is received by the Plan, or you enroll by calling the HR Service Center, provided the Plan receives proof of Change-in-Status and proof of age that is satisfactory to the Plan Administrator within the time required and you are Actively at Work. If you do not provide the requisite proofs that are satisfactory to the Plan Administrator within the time required by the Plan Administrator, you will not be covered.
- During the Choices enrollment period, you will be allowed to increase your coverage by 1 increment (one-half times (1/2X) base annual salary) provided you are Actively at Work on the January 1 following the Choices enrollment period and you do not exceed the amount you are eligible to enroll in. If you are not Actively at Work on the January 1 following the Choices enrollment period, any increase to your life insurance will not be effective until you return to Active Work.
- At any other time you are Actively at Work, by providing proof of insurability, your coverage begins on the date that MetLife accepts your proof of insurability. MetLife will pay for the fee of a paramedical exam, if requested by MetLife, with no cost to the employee/applicant when a MetLife physician is used.

Failure to provide the prerequisite proofs will result in cancellation of coverage, including retroactive cancellation, and may require you to reimburse the Plan for any benefits paid by the Plan. The Plan Administrator may request proof of your age at any time.

### **Change-in-Status**

A "change in status" is an event listed in one of the bullets below:

- Events that change your legal marital status, including Marriage, Domestic Partnership, death of Spouse/Domestic Partner, divorce or annulment or similar event with respect to a Domestic Partnership.



- Birth, adoption, placement for adoption or death of Dependent.
- A termination or commencement of employment by you, your Spouse/Domestic Partner or Dependent.
- A reduction or increase in hours of employment by the Employee, Spouse/Domestic Partner or Dependent.
- Dependent satisfies or ceases to satisfy the requirements for unmarried Dependents.
- A change in the place of residence or work for you, your Spouse/Domestic Partner or Dependent.

### Employee Contribution

Your contribution, made through post tax payroll deductions, is based on your annual base salary. In addition, your contribution is based on your age and whether you are a "non-tobacco-user". As your age and salary change, your deductions will be automatically adjusted. You are considered a "non tobacco-user" by the Plan if you have not used a tobacco product in the last 12 months. If you quit using tobacco, you are considered a "non-tobacco-user" as of the first day of the month after you complete 12 non-tobacco-using months. If you are a tobacco user, you are considered a tobacco user as of the first day you use tobacco. Administratively, you will not be adjusted to tobacco user deductions until the first of the month following the tobacco use. A false or out of date statement regarding tobacco use may result in benefits not being paid.

Current rates are listed in your Choices enrollment brochure. These costs are reviewed and revised periodically.

If you are on a leave of absence approved by the Participating Employer that provides eligibility under this Plan, the Plan Administrator has the full discretion to make special administrative arrangements as are necessary, such as deferring Employee contributions on a temporary basis during the leave of absence, and requiring the Employee to repay premiums when the Employee returns to work, or any other arrangements the Plan Administrator deems appropriate.

If the last payroll period for a Plan Year occurs partly during a current Plan Year and partly during the next Plan Year, the Plan Administrator has the full and complete discretion to modify the Participant contributions in any way that the Plan Administrator deems administratively efficient, including modifying the Participant contributions for the last payroll period without the Participant's consent.

### Amount of Coverage

#### *Salaried Employees and Hourly Employees of Applicable Collective Bargaining Groups (Not applicable to Long Term Disability Participants)*

You may purchase coverage in increments equal to one-half times (1/2X) your annual base salary, rounded up to the next \$1,000. The maximum coverage allowable is equal to eight times (8X) your annual salary up to a \$1.5 million limit<sup>4</sup>. If you are Less-Than-Full-Time, your coverage is based on your Full-Time base annual salary, and coverage is automatically adjusted as your base salary changes. Whether you are Full-Time or Less-Than-Full-Time, if you are not Actively at Work, any increase to your life insurance will not be effective until you return to work. If you are a Union Carbide employee, your benefit will be determined using your annual pay at Union Carbide as of December 31, 2001, as determined under the provisions of the Union Carbide Basic Life Insurance Plan until your annual base salary calculated under the normal provisions of the Plan exceed such amount. At that time, the Plan will no longer retain the December 31, 2001, Union Carbide annual pay information and will look solely to the annual base salary calculated under the normal provisions of the Plan to determine the amount of your coverage.

#### *Special Employee Paid Coverage for Certain Disabled Persons*

You may be eligible for coverage if you are being paid benefits from The Dow Chemical Company Long Term Disability Income Protection Plan ("LTD") under the following circumstances:

<sup>4</sup> You are eligible for an additional 1x of coverage over and above the 6x or \$1.5 million maximum if (1) you are an Employee who was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on September 30, 2002, and you signed a waiver of all your rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between you and The Dow Chemical Company who elected to purchase the additional 1x coverage effective October 1, 2003, or (2) you are an Employee who was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2002, and you were an active Employee on the date your Agreement and Collateral Assignment between you and Union Carbide Corporation were terminated and you elected to purchase the additional 1x coverage effective November 1, 2003. If you waive the additional 1x coverage, you are not eligible to enroll for such coverage in the future. Further, you are no longer eligible for any coverage under the Plan when you no longer have active Employee status.

**If the date of your Full Disability is on or after January 1, 2006 the following applies to you:**

If you have less than ten (10) years of service under DEPP or UCEPP, you are eligible for up to either 12 months or 24 months of Employee-Paid life insurance coverage beginning on the effective date of your approval for LTD status. Coverage ends prior to the expiration of the 12 month or 24 month period if you no longer qualify for LTD status. The 12 month period applies if you have less than one (1) year of service under DEPP or UCEPP. The 24 month period applies if you have more than one (1) year of service, but less than ten (10) years of service under DEPP or UCEPP. If you have ten (10) or more years of service under DEPP or UCEPP, you are eligible for coverage. Currently, eligibility for coverage ends if you are no longer eligible to receive payments from LTD.

The amount of coverage will depend on the amount of coverage you had on the date you were last Actively at Work. If you had  $\frac{1}{2}X$ , then the coverage amount is  $\frac{1}{2}X$ . If you had  $1X$  or more, then the amount is limited to  $1X$ . You will be required to pay the same premiums active employees pay.

**Increasing or Decreasing Coverage**

You may increase the amount of your coverage (but not above the maximum amount you are eligible for):

- Within 90 days of a change in your personal status, such as Marriage, Domestic Partnership, a change in your Spouse's/Domestic Partner's employment, or the addition of a Dependent child, provided you are Actively at Work and provided the HR Service Center receives proof of change in status that is satisfactory to the Plan Administrator.
- At any time you are Actively at Work, by providing proof of insurability to MetLife. MetLife will pay for the fee of a paramedical exam, if requested by MetLife, with no cost to the employee/applicant when MetLife a physician is used.
- During Choices enrollment you may increase one increment ( $1/2X$ ) without providing proof of insurability, provided you are Actively at Work.

You may decrease the amount of your coverage any time by completing an enrollment form, available from the HR Service Center or the Dow Intranet.

**Effective Dates of Coverage**

**Beginning.** Your coverage generally begins on your date of enrollment and when you meet the enrollment requirements outlined in this booklet. Your coverage automatically is adjusted as your base salary changes. If you are not Actively at Work, any increase to your life insurance will not be effective until you return to work.

**Ending.** Your Employee-Paid Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date you no longer meet the eligibility requirements of the Plan;
- The end of the period for which your last premium has been paid; or
- The date your employment ends.

**Porting Coverage to a Term Life Policy**

If your Employee-Paid Life Insurance coverage ends because your employment ends, your coverage may be continued on a direct bill basis with MetLife through the portability feature. This feature allows employees to continue their Group Term Life coverage under a separate group policy without providing proof of insurability. Rates for this coverage are different from the active plan rates and the employee must port a minimum of \$20,000 to exercise this option. You have 31 days from the date your coverage ends to apply for Portability. You may continue the same or lesser amount of coverage. For Michigan residents, there is a limit to the amount of coverage you are allowed to port. If you are unable to continue your entire life insurance amount through Portability, you may apply for Conversion of the balance. Contact MetLife at **1-866-492-6983** if you have any questions or want to apply for Portability.

## Converting to an Individual Policy

If your Employee-Paid Life Insurance coverage is reduced due to retirement, the amount of coverage you lost may be converted to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of Employee-Paid Life Insurance you lost under the Company-Paid Life Insurance Plan.

If your Employee-Paid Life Insurance coverage ends because your employment ends, your coverage may be converted to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of Employee-Paid Life Insurance in effect for you under the Employee-Paid Life Insurance Plan on the date your employment ends.

If your Employee-Paid Life Insurance coverage ends because Dow has cancelled the Employee-Paid Life Insurance coverage under the MetLife group life insurance policy, or Dow has amended the Employee-Paid Life Insurance Plan to exclude coverage for your work group, you may convert your Employee-Paid Life Insurance coverage to an individual non-term MetLife policy; provided you have been covered under the Employee-Paid Life Insurance Plan for at least 5 years immediately prior to losing coverage under the Employee-Paid Life Insurance Plan. The amount you may convert is limited to the lesser of:

- the amount of Employee-Paid Life Insurance for you that ends under the Group Policy less the amount of life insurance for which you become eligible under any group policy within 31 days after the date insurance ends under the Group Policy; or
- \$2,000.

You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or reduces. Contact the Dow HR Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-877-275-6387 to file your form, or to obtain further information. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

## Naming Your Beneficiary

**Naming Your Beneficiary:** You may elect a beneficiary by completing and returning an Employee-Paid Life Beneficiary Designation form. Your beneficiary election is not effective until the completed form is received by the U.S. Benefits Center, and is subject to the approval of MetLife. You will receive written notification of your beneficiary change. You may obtain a beneficiary form from the Dow Intranet or the HR Service Center. If you do not designate a beneficiary, then the default beneficiary will be the same as the beneficiary on your Company-Paid Life Insurance. If you are not eligible for Company-Paid Life Insurance, and you are enrolled in Post-65 Executive Life, then the default beneficiary is the same as your beneficiary for Post-65 Executive Life.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements. Once MetLife has determined that the designation conforms with their requirements, the effective date of the designation is the date you signed the designation that conforms with their requirements.

If there is no beneficiary designation for the Employee-Paid Life, Company-Paid Life or Post-65 Executive Life, MetLife may determine the Beneficiary to be one or more of the following who survive you:

- Your Spouse/Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you fail to name a beneficiary, instead of making payment to any of the above, MetLife may pay your estate. Any payment made by MetLife in good faith will discharge the Plan's liability to the extent of such payment.

## Benefit Payments

**Payment Options.** In the event of your death, your beneficiary should contact the HR Service Center. A certified death certificate must be provided to MetLife to disburse the life insurance proceeds. To file a Claim for a Plan Benefit, *see Claims Procedures Appendix* of this SPD.

## Funding

Employees pay the entire premium for coverage. The benefits under the Employee-Paid Life Insurance Plan and the Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under the Employee-Paid Life Insurance Plan and the Dependent Life Insurance Plan in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any dividends declared for the Employee-Paid Life Insurance Plan and the Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

## Joint Insurance Arrangement

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that is allowed by the U.S. Department of Labor pursuant to Prohibited Transaction Exemption 96-62 and 29 CFR Part 2570, subpart B. [DOL Final Authorization Number 2001-17E (May 14, 2001)]. Under this arrangement, MetLife has or will write the coverage for the Plan and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to MetLife. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco.

## Accelerated Benefit Option (ABO)

Under the Accelerated Benefit Option (ABO), if you have been diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 80% of your Company-Paid Life Insurance and Employee-Paid Life Insurance benefits before death if certain requirements are met. Having access to life insurance proceeds at this important time could help ease financial and emotional burdens. In order to apply for ABO, you must be covered for at least \$10,000 from your Company-Paid Life Insurance and/or Employee-Paid Life Insurance. You may receive an accelerated benefit of up to 80 percent (minimum \$5,000 and maximum \$500,000) of your Company-Paid Life Insurance and/or Employee-Paid Life Insurance benefit. An accelerated benefit is payable in a lump sum and can be elected only once. The death benefit will be reduced by the amount of accelerated benefit paid. Accelerated benefits are not permitted if you have assigned your life insurance benefit to another individual or to a trust.

The accelerated life insurance benefits are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986, as amended. If the accelerated benefits qualify for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Payment of the accelerated benefit will be subject to state taxes and regulations. Tax laws relating to accelerated benefits are complex. You are advised to consult with a qualified tax advisor.

Receipt of accelerated benefits may affect your eligibility, or that of your spouse/domestic partner or your family, for public assistance programs such as medical assistance (Medicaid), Aid to Families and Dependent Children (AFDC), Supplemental Security Income (SSI), and drug assistance programs. You are advised to consult with social services agencies concerning the effect receipt of accelerated benefits will have on public assistance eligibility for you, your spouse/domestic partner or your family.

If you would like to apply for the Accelerate Benefit Option, a claim form can be obtained from the HR Service Center at 1-877-623-8079 and must be completed and returned for evaluation and approval by MetLife.

## Your Rights

You have certain rights under the Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *ERISA Enforcement* section, *Welfare Benefits* section, *The Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section, and *ERISA Information* section at the end of this SPD.

## Chapter Three Dependent Life Insurance

### Plan Description

The Dependent Life Insurance Plan provides coverage for your eligible family members at group rates. The benefits are insured by a group term life insurance policy underwritten by Metropolitan Life Insurance Company (MetLife). MetLife pays the benefits under the Plan. In addition, MetLife is the named fiduciary for making decisions as to whether a Claim for Benefits is payable.

As of January 1, 2005, the following plans have been merged into the Dependent Life Insurance Plan: Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Dependent Life Insurance Plan; ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Dependent Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Dependent Life Insurance Plan. As of January 1, 2008, the Michigan Hourly Optional Group Life Insurance Program's Dependent Life Insurance Plan has been merged into the Dependent Life Insurance Plan.

The Dependent Life Insurance Plan is referred to in Chapter Three as the "Plan".

### Eligibility

#### Salaried Employees:

Salaried Employees of a Participating Employer with regular, active, Full-Time or Less-Than-Full-Time status are eligible.

#### Bargained-for Employees:

Eligibility of Bargained-for Employees depends on whether the applicable collective bargaining unit and the Participating Employer have agreed to this Plan. With respect to a collective bargaining agreement that specifically addresses which Employees are eligible or not eligible for this Plan, the terms of such collective bargaining agreement shall govern. If the terms of the collective bargaining agreement specify that Bargained for Employees shall be provided this Plan, but does not specifically address the category of Employees that are eligible or not eligible, then the Plan will provide eligibility to regular active Employees with Full Time status who are members of the collective bargaining group.

#### Employees on a Leave of Absence:

Eligibility for benefits under the Plan may continue during certain laves of absences approved by the Participating Employer such as under the Company's Family Leave Policy or Medical Leave Policy. The benefits under the Plan shall be administered consistent with the terms of such approved leaves of absences.

#### Plan Administrator Determines Eligibility

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants. If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan, or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

Run-out claims under ERISA Plan #505 (which was terminated effective 12-31-99) for covered claims that were incurred but not yet paid under that plan, will be paid from this Plan.

### Dependent Eligibility

You may insure your Spouse/Domestic Partner. In addition, you may insure your Dependent child(ren). To be eligible for coverage, a Dependent child (age 15 days through 18 years) must be principally supported by you and may be:

- A birth or legally-adopted child; or
- A stepchild/Domestic Partner child permanently residing in your household; or
- A child for whom you or your Spouse/Domestic Partner is the legal guardian, supported solely by you and permanently residing in your household; or

A Dependent child may continue to be eligible for coverage past age 18 if the child continues to meet all of the requirements and in addition, is incapable of self-sustaining employment because of a mental or physical handicap as defined by applicable law. Proof of such handicap must be sent to MetLife within 31 days after the date the child attains the age limit and at reasonable intervals after such date.

A Dependent child may also continue to be eligible for coverage past age 18 if the child continues meets all of the requirements and in addition, is a full time student. Coverage ends for Full Time students at age 25.

The Plan defines a "Full-Time Student" as a student who is a full-time student at an educational institution at any time during the Plan Year. The determination as to whether a student is full-time is based upon the number of hours or courses which is considered to be full-time by the educational institution.

Generally, your child is not eligible if he or she is:

- Already covered as a dependent of another Dow employee. All covered children in a family must be enrolled by the same parent.
- Married or ever has been married.
- Employed full-time.
- Age 25 years or older, unless the dependent relationship continues because of a physical or mental handicap. Contact the HR Service Center if this applies to you.

A Dependent Spouse, Domestic Partner or child is also not eligible if he or she resides outside the United States and Canada or is serving on active duty in the armed forces of any country.

### Enrollment

To enroll for Dependent Life Insurance coverage, enroll through the annual Choices enrollment period or complete an enrollment form, available from the Intranet or the HR Service Center as described below. You may enroll:

- On or before your date of hire, with coverage to begin on your first day of work if you complete the enrollment form and submitted proof of Dependent eligibility and proof of age. Failure to provide the required proofs satisfactory to the Plan Administrator within the time required will result in no coverage.
- Within 90 days after your first day of active employment, with coverage to begin on your submission of the completed enrollment form and proof of Dependent eligibility and proof of age. Failure to provide the required proofs satisfactory to the Plan Administrator within the time required will result in no coverage.
- Within 90 days of a Change-in-Status, provided you are Actively at Work. Coverage begins on the date that the Plan receives your enrollment form or you enroll by calling the HR Service Center. Failure to provide the required proofs satisfactory to the Plan Administrator within the time required will result in no coverage.
- During the Choices Enrollment period, provided you are Actively at Work on the January 1 following the Choices Enrollment period. You will be allowed to increase your Dependent Spouse/Domestic Partner coverage by one increment. There is no incremental limit on increased coverage for Dependent child(ren) during Choices Enrollment. If you are not Actively at Work on the January 1 following the Choices Enrollment period, any increase in life insurance will not be effective until you return to Active Work. Proof of eligibility must be submitted prior to December 31 of the year before coverage begins.

- At any other time you are Actively at Work, by providing proof of insurability. Your coverage begins on the date that MetLife accepts your proof of insurability. MetLife will pay for the fee of a paramedical exam, if requested by MetLife, with no cost to the employee/applicant when a MetLife physician is used.

The Plan Administrator may request proof of Dependent eligibility and proof of age at any time. Proof may consist of a birth certificate, passport, adoption papers, marriage license, statement of Domestic Partnership or any other proof that the Plan Administrator deems appropriate. Failure to provide proof of Dependent eligibility and proof of age within the time period required will result in no Dependent coverage.

If you enrolled for coverage for your Dependent(s) and fail to provide proof of Dependent eligibility or proof of age satisfactory to the Plan Administrator within the time period required, and the Plan determines that your Dependent(s) is or are not covered, the Plan reserves the right not to refund the premiums you paid, and to cancel coverage of your Dependent(s) retroactive to the date you enrolled your Dependent(s).

### Change-in-Status

A “change in status” is an event listed in one of the bullets below:

- Events that change your legal marital status, including Marriage, Domestic Partnership, death of Spouse/Domestic Partner, divorce or annulment or similar event with respect to a Domestic Partnership.
- Birth, adoption, placement for adoption or death of Dependent.
- A termination or commencement of employment by you, your Spouse/Domestic Partner or Dependent.
- A reduction or increase in hours of employment by the Employee, Spouse/Domestic Partner or Dependent.
- Dependent satisfies or ceases to satisfy the requirements for unmarried Dependents.
- A change in the place of residence or work for you, your Spouse/Domestic Partner or Dependent.

### Amount of Coverage

#### Salaried Employees and Collective Bargaining Groups that Agreed to this Plan

You may select coverage for your Spouse/Domestic Partner and Dependent children based on the following options.

- Spouse/Domestic Partner insurance coverage ranges from a minimum of \$10,000 to a maximum of \$250,000 in increments of \$10,000. The monthly cost is based on your Spouse's/Domestic Partner's age, the amount of insurance and whether your Spouse/Domestic Partner is a “non-tobacco user”.
- For eligible Dependent child(ren) there are three levels of coverage: \$2,000, \$5,000 or \$10,000.

LTD participants are not eligible for Spouse/Domestic Partner and Dependent Life Coverage.

### Increasing or Decreasing Coverage

You may increase the amount of coverage (but not above the maximum amount you are eligible for):

- At any time you are Actively at Work, by providing proof of insurability to MetLife. MetLife will pay for the fee of a paramedical exam, if requested by MetLife, with no cost to the employee/applicant when a MetLife physician is used.
- Within 90 days of a change in status event, such as Marriage, Domestic Partnership, divorce, Termination of Domestic Partnership or the addition of a Dependent child, provided you are Actively at Work and provided the Plan receives proof of the change in status that is satisfactory to the Plan Administrator.
- During Choices enrollment, if you are Actively at Work, you may increase your Spouse's/Domestic Partner's coverage one increment without showing proof of insurability.

You may decrease the amount of your coverage at any time by completing an enrollment card, available from the Dow Intranet or the HR Service Center.

### Effective Dates of Coverage

Beginning. Your coverage generally begins on your date of enrollment and when you meet the enrollment requirements outlined in this booklet.

**Ending**

Your Dependent Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date you or your Dependent no longer meet the eligibility requirements of the Plan;
- The end of the period for which your last premium has been paid;
- The date your employment ends.

**Porting Coverage to a Term Life Policy**

If Dependent Life coverage ends because your employment ends, your coverage may be continued on a direct bill basis with MetLife through the portability feature. This feature allows employees to continue their Group Term Life coverage under a separate group policy without providing proof of insurability. Rates for this coverage are different from the active plan rates and the employee must port a minimum of \$20,000 to exercise this option. You have 31 days from the date your coverage ends to apply for Portability. You may continue the same or lesser amount of coverage. For Michigan residents, there is a limit to the amount of coverage you are allowed to port. If you are unable to continue your entire life insurance amount through Portability, you may apply for Conversion of the balance. Contact MetLife at **1-866-492-6983** if you have any questions or want to apply for Portability.

**Converting to an Individual Policy**

If your Spouse of Record/Domestic Partner of Record or Dependent child's life insurance coverage is reduced due to retirement, the amount of coverage your Spouse of Record/Domestic Partner of Record or Dependent child lost may be converted to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of Spouse of Record/Domestic Partner of Record or Dependent child life insurance you lost under the Dependent Life Insurance Plan.

If your Spouse of Record/Domestic Partner of Record or Dependent child loses coverage under the Dependent Life Insurance Plan because of your death or because he or she no longer meets eligibility requirements, their coverage may be converted to an individual non-term policy through MetLife. (In the case of minor children, the parent or legal guardian may act on their behalf.) The maximum amount of insurance that may be elected for the new policy is the amount of Dependent Life Insurance that ends under the Dependent Life Insurance provisions of the MetLife group policy.

If your Spouse of Record/Domestic Partner of Record or Dependent child loses coverage under the Dependent Life Insurance Plan because Dow has cancelled the dependent life coverage under the group policy with MetLife, or Dow has amended the eligibility requirements of the Plan to exclude you or your dependents from eligibility under the Plan, you may convert coverage to an individual non-term MetLife policy for your Dependent; provided you have been enrolled in coverage for your Dependent under the Dependent Life Insurance Plan for at least 5 years immediately prior to the date the MetLife group coverage for our Dependent ended. The amount that may be converted is limited to the lesser of:

- the amount of Life Insurance for the Dependent that ends under the MetLife group policy less the amount of life insurance for Dependents for which you become eligible under any group policy within 31 days after the date insurance ends under the Dependent Life Insurance provisions of the MetLife group policy; or
- \$2,000.

A conversion application must be filed and the required premium payment made to MetLife within 31 days of the date coverage is lost or reduced. You or your Dependent must contact the HR Service Center to obtain a form for converting the coverage. Once the form has been obtained, you or your Dependent should contact the MetLife Conversion Group at 1-877-275-6387. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than the group plan. Although not required, providing proof of insurability may help reduce the cost.

**Employee Contribution**

The Employee pays for Dependent Life Insurance coverage. Your contribution, made through post tax payroll deductions, is based on the coverage option that you choose. For coverage on your Spouse's/Domestic Partner's life, your contribution will also depend on whether your Spouse/Domestic Partner is a "non-tobacco-user". Your Spouse/Domestic Partner is considered a "non-tobacco-user" by the Plan if your Spouse/Domestic Partner has not used a tobacco product in the last 12 months. If your Spouse/Domestic Partner quits using tobacco, your Spouse/Domestic Partner is considered a "non-tobacco-



user” as of the first day of the month after your Spouse/Domestic Partner completes 12 non-tobacco-using months. If your Spouse/Domestic Partner is a “non-tobacco-user”, your Spouse/Domestic Partner is considered a tobacco-user as of the first day your Spouse/Domestic Partner uses tobacco. A false or out-of-date statement regarding tobacco use may result in benefits not being paid. For your portion of the monthly costs, refer to the Choices enrollment materials provided during annual enrollment.

If you are on a Benefit Protected Leave of Absence, the Plan Administrator has the full discretion to make special administrative arrangements as are necessary, such as deferring Employee contributions on a temporary basis during the leave of absence, and requiring the Employee to repay premiums when the Employee returns to work, or any other arrangements the Plan Administrator deems appropriate.

## **Benefit Payment**

### **Beneficiary Designation.**

You are the beneficiary of your Dependent Life Insurance Plan.

The benefits will be paid to you if you survive the Dependent. If you do not survive your Dependent, MetLife may pay one or more the following who survive you:

- Your Spouse or Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you do not survive your Dependent, instead of making payment to any of the above, MetLife may pay your estate. Any payment made by MetLife in good faith will discharge the Plan’s liability to the extent of such payment.

**Payment.** You should contact the HR Service Center to report a Dependent’s death. A certified death certificate must be provided to MetLife to disburse the life insurance proceeds. To file a claim, see *Claims Procedures Appendix* of this SPD.

## **Funding**

Employees pay the entire premium for coverage. The benefits under the Employee-Paid Life Insurance Plan and the Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under this insurance coverage in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any dividends declared for the Employee-Paid Life Insurance Plan and the Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

## **Joint Insurance Arrangement**

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that is allowed by the U.S. Department of Labor pursuant to Prohibited Transaction Exemption 96-62 and 29 CFR Part 2570, subpart B. [DOL Final Authorization Number 2001-17E (May 14, 2001)]. Under this arrangement, MetLife has or will write the coverage for the Plan and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to MetLife. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco. This joint insurance arrangement is not applicable to coverage for Hourly Employees employed by Michigan Operations, or their Dependents.

## **Accelerated Benefit Option (ABO) for Spouses/Domestic Partners Only**

Under the Accelerated Benefit Option (ABO), if your Spouse/Domestic Partner has been diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 80% of your Spouse/Domestic Partner Dependent Life Insurance benefits before your Spouse/Domestic Partner’s death if certain requirements are met. Having access to life

proceeds at this important time could help ease financial and emotional burdens. In order to apply for ABO, your Spouse/Domestic Partner must be covered for at least \$10,000 under the Dependent Life Insurance Plan. You may receive an accelerated benefit of up to 80 percent (minimum \$5,000) of the Spouse/Domestic Partner Dependent Life Insurance benefit. An accelerated benefit is payable in a lump sum and can be elected only once. The death benefit will be reduced by the amount of accelerated benefit paid. Accelerated benefits are not permitted if you have assigned your life insurance benefit to another individual or to a trust.

The accelerated life insurance benefits are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986. Tax laws relating to accelerated benefits are complex. You are advised to consult with a qualified tax advisor.

Receipt of accelerated benefits may affect your eligibility, or that of your spouse/domestic partner or your family, for public assistance programs such as medical assistance (Medicaid), Aid to Families and Dependent Children (AFDC), Supplemental Security Income (SSI), and drug assistance programs. You are advised to consult with social services agencies concerning the effect receipt of accelerated benefits will have on public assistance eligibility for you, your spouse/domestic partner or your family.

If you would like to apply for the Accelerate Benefit Option, a claim form can be obtained from the HR Service Center at 1-877-623-8079 and must be completed and returned for evaluation and approval by MetLife.

### **Your Rights**

You have certain rights under the Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *ERISA Enforcement* section, *Welfare Benefits* section, *The Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section, and *ERISA Information* section at the end of this SPD.

### **Filing a Claim**

See the *Claims Procedures Appendix* of this SPD.

### **Appealing a Denial of Claim**

See the *Claims Procedures Appendix* of this SPD.

### **Fraud Against the Plan**

Any Plan Participant who intentionally misrepresents information to the Plan or knowingly misinforms, deceives or misleads the Plan or knowingly withholds relevant information may have his/her coverage cancelled retroactively to the date deemed appropriate by the Plan Administrator. Further, such Plan Participant may be required to reimburse the Plan for Claims paid by the Plan. The employer may determine that termination of employment is appropriate and the employer and/or the Plan may choose to pursue civil and/or criminal action. The Plan Administrator may determine that the Participant is no longer eligible for coverage under the Plan because of his or her actions.

### **Grievance Procedure**

If you want to appeal the denial of a claim for benefits, see the *Claims Procedures Appendix* of this SPD.

If you feel that anyone is discriminating against you for exercising your rights under these Plans, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under these Plans, or if you feel that the Plan Administrator has denied you any right you feel that you have under these Plans, you must notify the Plan Administrator (listed in the "ERISA Information" section of this SPD) in writing within 90 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong (if it was the Plan which did the wrong), or will make a recommendation to the Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator's decision. You must submit written notice of your appeal to the Plan Administrator within 60 days of receipt of the Plan Administrator's decision. Your appeal will be reviewed and you will receive a written response within 60 days, unless special circumstances require an extension of time. The Plan Administrator will give you written notice and reason for the extension. In no event should the decision take longer than 120 days after receipt of your appeal. If you are not satisfied with the Plan Administrator's response to your appeal, you may file suit in court. **If you file a lawsuit, you must do so**

**within 120 days from the date of the Plan Administrator's written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit**

### **Your Legal Rights**

When you are a participant in the Company-Paid, Employee-Paid or Dependent Life Insurance Plans, you are entitled to certain rights and protections under the Employee Retirement Security Act of 1974 (ERISA). This law requires that all Plan participants must be able to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, the Plan Documents and the latest annual reports filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Plan Administrator, copies of the Plan Documents and Summary Plan Descriptions. The Administrator may charge a reasonable fee for the copies.
- Receive a summary of each Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

In addition to creating rights for you and all other Plan Participants, ERISA imposes duties on the people who are responsible for operating an employee benefit plan. The people who operate the Plans, called "fiduciaries" of the Plans, have a duty to act prudently and in the interest of you and other Plan Participants and beneficiaries.

No one, including your employer or any other person, may discharge you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit, or from exercising your rights under ERISA. If you have a claim for benefits that is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the legal rights described above. For instance, if you request materials from one of the Plans and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you must file a written appeal within the time period specified in the Plan's Claims Procedures. Failure to comply with the Plan's claims procedures may significantly jeopardize your rights to benefits. If you are not satisfied with the final appellate decision, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Claims Administrator's or the Plan Administrator's final written decision (or the deadline the Claims Administrator or Plan Administrator had to notify you of a decision). Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.** The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If it should happen that plan fiduciaries misuse one of the Plan's money, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the alleged misuse. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you feel that anyone is discriminating against you for exercising your rights under this benefit plan, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under any of the Plans, you must notify the Plan Administrator listed in the "ERISA Information" section of this SPD in writing within 120 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong, if it was the Plan which did the wrong, or will make a recommendation to the Plan Sponsor or Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator's decision. You must submit written notice of your appeal to the Plan Administrator within 60 days of receipt of the Plan Administrator's decision. Your appeal will be reviewed and you will receive a written response within 60 days. If you are not satisfied with the Plan Administrator's response to your appeal, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Plan Administrator's written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you have any questions about the Program, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and

Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

**Welfare Benefits**

Welfare benefits, such as the Company-Paid Life Insurance Plan, Employee-Paid Life Insurance Plan and Dependent Life Insurance Plan, are not required to be guaranteed by a government agency.

**Amendment, Modification, or Termination of Plan**

The President, Chief Financial Officer or the Corporate Vice President of Human Resources of the Company, each acting individually, or his or her respective delegate, may amend, modify or terminate the Plan, including, without limitation, the Summary Plan Description, which is incorporated herein by reference. Such amendments or modifications may not result in Company expenditures in excess of \$20 million per year. Amendments that result in Company expenditures in excess of \$20 million per year must be approved by the Board of Directors. Certain modifications or amendments of the Plan which the Company deems necessary or appropriate to conform the Plan to, or satisfy the conditions of, any law, governmental regulation or ruling, and to permit the Plan to meet the requirements of the Code may be made retroactively if necessary. Upon termination or discontinuance of the Plan, all elections and reductions in compensation related to the Plan shall terminate.

**Procedure for Amendment, Modification, or Termination of Plan**

Any amendment of, modification to, or termination of the Plan, must be reviewed by an attorney in the Company's Legal Department and the Plan Administrator before it is adopted by the Corporate Vice President of Human Resources or his or her delegate.

**Disposition of Plan Assets if the Plans are Terminated**

The Company may terminate any of the Plans at any time at its sole discretion. If the Company terminates a Plan, the assets of the Plan, if any, shall not be used by the Company, but may be used in any of the following ways:

- 1) to provide benefits for Participants in accordance with the Plan, and/or
- 2) to pay third parties to provide such benefits, and/or
- 3) to pay expenses of the Plan and/or the Trust holding the Plan's assets, and/or
- 4) to provide cash for Participants, as long as the cash is not provided disproportionately to officers, shareholders, or Highly Compensated Employees.

**Class Action Lawsuits**

Legal actions against the Plan must be filed in federal court. Class action lawsuits must be filed either 1) in the jurisdiction in which the Plan is administered (Michigan) or 2) the jurisdiction where the largest number of putative members of the class action reside. This provision does not waive the requirement to exhaust administrative remedies before the filing of a lawsuit.

**For More Information**

If you have questions, phone the HR Service Center at (989) 638-8757 or 877-623-8079. They can provide more details about this benefit Plan.

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**Important Note**

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This booklet is the summary plan description (SPD) for The Dow Chemical Company Group Life Insurance Program's Company-Paid Life Insurance Plan, Employee-Paid Life Insurance Plan and Dependent Life Insurance Plan. However, it is not all-inclusive and it is not intended to take the place of each Plan's legal documents. In case of conflict between this SPD and the applicable Plan Document, the applicable Plan Document will govern.

The Plan Administrator and the Claims Administrator are Plan fiduciaries. The Plan Administrator has the full and complete discretion to interpret and construe all of the provisions of the Plans for all purposes except to make Claims for Plan Benefits determinations, which discretion is reserved for the Claims Administrator. The Plan Administrator's interpretations shall be final, conclusive and binding. The Plan Administrator also has the full and complete discretion to make findings of fact for all purposes except to make Claim for Plan Benefits determinations, which discretion is reserved for the Claims Administrator. The Plan Administrator has the full authority to apply those findings of fact to the provisions of the applicable Plan. All findings of fact made by the Plan Administrator shall be final, conclusive and binding. The Plan Administrator has the full and complete discretion to decide whether or not it is making a Claim for Plan Benefit determination. For a detailed description of the Plan Administrator's authority, see the applicable Plan Document.

For the purpose of making Claim for Plan Benefits determinations, the Claims Administrator has the full and complete discretion to interpret and construe the provisions of the Plans, and such interpretation shall be final, conclusive and binding. For the purpose of making Claim for Plan Benefits determinations, the Claims Administrator also has the full and complete discretion to make findings of fact and to apply those findings of fact to the provisions of the Plans. All findings of fact made by the Claims Administrator shall be final, conclusive and binding. For a detailed description of the Claims Administrator's authority, see the applicable Plan Document.

The Company reserves the right to amend, modify or terminate the Plans at any time at its sole discretion. The procedures for amending each of the Plans are contained in the applicable Plan Document.

The Plan Documents can be made available for your review upon written request to the Plan Administrator (listed in the *ERISA Information* section of this Summary Plan Description).

This Summary Plan Description (SPD) and the benefits described do not constitute a contract of employment. Your employer retains the right to terminate your employment or otherwise deal with your employment as if this SPD and the Plans had never existed.

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**ERISA Information**  
**The Dow Chemical Company Group Life Insurance Program**  
**Company-Paid Life Insurance Plan**  
**(A Welfare Benefit Plan)**

**Plan Sponsor:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-877-623-8079

**Employer Identification Number:** 38-1285128

**Plan Number:** 507

**Group Policy Number:** 11700-G

**Plan Administrator:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-877-623-8079

**To Apply For a Benefit Contact:** See Claims Procedures Appendix to this SPD.

**To Appeal a Benefit Determination, File with:** See Claims Procedures Appendix to this SPD.

**To Serve Legal Process, File With:** General Counsel  
The Dow Chemical Company  
Corporate Legal Department  
2030 Dow Center  
Midland, MI 48674

**Claims Administration:** Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company  
MetLife, Inc.  
Group Life Claims  
Oneida County Industrial Park  
Utica, NY 13504-6115

**Plan Year:** The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31

**Funding:** Dow pays the entire premium for the Plan. Benefits are funded through a group insurance contract with MetLife, Inc. The assets of the "Program" may be used at the discretion of the Plan Administrator to pay for any benefits provided under the "Program", as the "Program" may be amended from time to time, as well as to pay for any expenses of the "Program". Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorney fees, third party administrator fees and other administrative expenses.

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**ERISA Information**  
**The Dow Chemical Company**  
**Employee-Paid and Dependent Life Insurance Plans**  
**(Welfare Benefit Plans)**

**Plan Sponsor:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-877-623-8079

**Employer Identification Number:** 38-1285128

**Plan Number:** 515

**Group Policy Number:** 11700-G

**Plan Administrator:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-877-623-8079

**To Apply For a Benefit Contact:** See Claims Procedures Appendix to this SPD.

**To Appeal a Benefit Determination, File with:** See Claims Procedures Appendix to this SPD.

**To Serve Legal Process, File With:** General Counsel  
The Dow Chemical Company  
Corporate Legal Department  
2030 Dow Center  
Midland, MI 48674

**Claims Administration:** Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company.  
MetLife, Inc.  
Group Life Claims  
Oneida County Industrial Park  
Utica, NY 13504-6115

**Plan Year:** The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31

**Funding:** Employees pay the premiums. Benefits are funded through a group insurance contract with MetLife. The assets of the "Program" may be used at the discretion of the Plan Administrator to pay for any benefits provided under the "Program", as the "Program" may be amended from time to time, as well as to pay for any expenses of the "Program". Such expenses may include, and are not limited to, consulting fees,

actuarial fees, attorney fees, third party administrator fees, and other administrative expenses.

**Joint Insurance  
Arrangement:**

Dorinco and MetLife have entered an arrangement approved by the U.S. Department of Labor (DOL Advisory Opinion Letter 97-24A) in which if MetLife is insolvent, the entire life insurance benefit will be paid by Dorinco. If Dorinco is insolvent, the entire life insurance benefit will be paid by Metropolitan. Dorinco's address is:

Dorinco Reinsurance Company  
1320 Waldo Avenue  
Dorinco Building  
Midland, MI 48642



**CLAIMS PROCEDURES APPENDIX**  
**For the Summary Plan Descriptions of the Life Insurance Plans Sponsored by**  
**The Dow Chemical Company**

***You Must File a Claim in Accordance with These Claims Procedures***

A "Claim" is a written request by a claimant for a *Plan benefit* or an *Eligibility Determination*. There are two kinds of Claims:

A *Claim for Plan Benefits* is a request for benefits covered under the Plan.

An *Eligibility Determination* is a kind of Claim. It is a request for a determination as to whether a claimant is eligible to be a Participant or covered Dependent under the Plan.

You must follow the claims procedures for either *CLAIMS FOR PLAN BENEFITS* or *CLAIMS FOR AN ELIGIBILITY DETERMINATION*, whichever applies to your situation. See the applicable sections below entitled *CLAIMS FOR PLAN BENEFITS* and *CLAIMS FOR ELIGIBILITY DETERMINATIONS*.

**Who Will Decide Whether to Approve or Deny My Claim?**

The Dow Chemical Company will approve or deny a Claim for an Eligibility Determination. The initial determination is made by the U.S. Benefits Center. If you appeal, the appellate decision is made by the North America Compensation & Benefits Leader.

MetLife will approve or deny a Claim for Plan Benefits. MetLife is the Claims Administrator for both the initial determination and (if there is an appeal), the appellate determination.

**An Authorized Representative May Act on Your Behalf**

An Authorized Representative may submit a Claim on behalf of a Plan Participant. The Plan will recognize a person as a Plan Participant's "Authorized Representative" if such person submits a notarized document signed by the Participant stating that the Authorized Representative is authorized to act on behalf of such Participant. A court order stating that a person is authorized to submit Claims on behalf of a Participant will also be recognized by the Plan.

**Authority of the Administrators and Your Rights Under ERISA**

The Administrators have the full, complete, and final discretion to interpret the provisions of the Plan and to make findings of fact in order to carry out their respective Claims decision-making responsibilities.

Interpretations and claims decisions by the Administrators are final and binding on Participants. If you are not satisfied with an Administrator's final appellate decision, you may file a civil action against the Plan under s. 502 of the Employee Retirement Income Security Act (ERISA) in a federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Administrator's final written decision. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

***CLAIMS FOR PLAN BENEFITS***

***Information Required In Order to Be a "Claim":***

For Claims that are requests for Plan benefits, the claimant must complete a MetLife claims form. Call the HR Service Center at 1-877/623-8079 to obtain a form. (Retirees should call the Retiree Service Center to obtain a form at 1-800/344-0661). In addition, you must attach a certified death certificate (must be certified by the government authority, as exhibited by a "raised seal" on the certificate). You may request assistance from the U.S. Benefits Center (1-989/636-9556) if you need help completing the MetLife claims form.

Once you have completed the MetLife claims form, you must send it and the certified death certificate to:

U.S. Benefits Center  
The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
Attention: Administrator for the life insurance plans

The U.S. Benefits Center will review and sign your completed MetLife claims form and forward the form and certified death certificate to:

Metropolitan Life Insurance Company  
Group Life Claims  
P.O. Box 6115  
Utica, NY 13504-6115

### **CLAIMS FOR DETERMINATION OF ELIGIBILITY**

#### ***Information Required In Order to Be a "Claim":***

For Claims that are requests for *Eligibility Determinations*, the Claims must be in writing and contain the following information:

- State the name of the Employee, and also the name of the person (Employee, Spouse/Domestic Partner, Dependent child, as applicable) for whom the *Eligibility Determination* is being requested
- Name the benefit plan for which the *Eligibility Determination* is being requested
- If the *Eligibility Determination* is for the Employee's Dependent, describe the relationship for whom an *Eligibility Determination* is being requested to the Employee (e.g. Spouse/Domestic Partner, child, etc.)
- Provide documentation of such relationship (e.g. marriage certificate, Statement of Domestic Partnership, birth certificate, etc)

*Claims for Eligibility Determinations* must be filed with:

U.S. Benefits Center  
The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
Attention: Administrator for the life insurance plans  
(Eligibility Determination)

### **INITIAL DETERMINATIONS**

If you submit a *Claim for Plan Benefits* or a *Claim for Eligibility Determination* to the applicable Administrator, the applicable Administrator will review your Claim and notify you of its decision to approve or deny your Claim. Such notification will be provided to you in writing within a reasonable period, not to exceed 90 days of the date you submitted your claim; except that under special circumstances, the Administrator may have up to an additional 90 days to provide you such written notification. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 90 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the applicable Administrator denies the Claim, the written notification of the Claims decision will state the reason(s) why the Claim was denied and refer to the pertinent Plan provision(s). If the Claim was denied because you did not file a complete Claim or because the Administrator needed additional information, the Claims decision will state that as the reason for denying the Claim and will explain why such information was necessary.

**APPEALING THE INITIAL DETERMINATION**

If the applicable Administrator has denied your *Claim for Plan Benefits* or *Claim for Eligibility Determination*, you may appeal the decision. If you appeal the Administrator's decision, you must do so in writing within 60 days of receipt of the Administrator's determination, assuming that there are no extenuating circumstances, as determined by the applicable Administrator. Your written appeal must include the following information:

- Name of Employee
- Name of Dependent or beneficiary, if the Dependent or beneficiary is the person who is appealing the Administrator's decision
- Name of the benefit Plan
- Reference to the Initial Determination
- Explain reason why you are appealing the Initial Determination

Send appeals of *Eligibility Determinations* to:

North America Compensation & Benefits Leader  
 The Dow Chemical Company  
 Employee Development Center  
 Midland, MI 48674  
 Attention: Administrator for the life insurance plans  
 (Appeal of Eligibility Determination)

Send appeals of benefit denials to:

Metropolitan Life Insurance Company  
 Group Life Claims – The Dow Chemical Company  
 Oneida County Industrial Park  
 Utica, NY 13504-6115  
 Attention: Claims Administrator  
 (Appellate Review)

You may submit any additional information to the applicable Administrator when you submit your request for appeal. You may also request that the Administrator provide you copies of documents, records and other information that is relevant to your Claim, as determined by the applicable Administrator under applicable federal regulations. Your request must be in writing. Such information will be provided at no cost to you.

After the applicable Administrator receives your written request to appeal the initial determination, the Administrator will review your Claim. Deference will not be given to the initial adverse decision, and the appellate reviewer will look at the Claim anew. The person who will review your appeal will not be the same person as the person who made the initial decision to deny the Claim. In addition, the person who is reviewing the appeal will not be a subordinate who reports to the person who made the initial decision to deny the Claim. The Administrator will notify you in writing of its final decision. Such notification will be provided within a reasonable period, not to exceed 60 days of the written request for appellate review, except that under special circumstances, the Administrator may have up to an additional 60 days to provide written notification of the final decision. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 60 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the Administrator determines that it does not have sufficient information to make a decision on the Claim prior to the expiration of the initial 60 day period, it will notify you. It will describe any additional material or information necessary to submit to the Plan, and provide you with the deadline for submitting such information. The initial 60 day time period for the Administrator to make a final written decision, plus the 60 day extension period (if applicable) are tolled from the date the notification of insufficiency is sent to you until the date on which it receives your response. ("Tolled" means the "clock or time is stopped or suspended". In other words, the deadline for the Administrator to make its decision is "put on hold" until it receives the requested information). The tolling period ends when the Administrator receives your response, regardless of the adequacy of your response.

If the Administrator has determined that its final decision is to deny your Claim, the written notification of the decision will state the reason(s) for the denial and refer to the pertinent Plan provision(s).

## DEFINITIONS APPENDIX

See Plan Document for additional definitions. A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

**"Actively at Work"** or **"Active Work"** means that you are performing all of the usual and customary duties of your job with the Participating Employer on a Full Time or Less-Than Full Time basis. This must be done at:

- a. the Participating Employer's place of business; or
- b. an alternate place approved by the Participating Employer; or
- c. a place to which the Participating Employer's business requires you to travel.

You will be deemed to be Actively at Work during weekends or Participating Employer approved vacations, holidays or business closures if you were Actively at Work on the last scheduled work day preceding such time off.

**"Administrator"** means either the Plan Administrator or the Claims Administrator.

**"Bargained-for"** or **"Hourly"** individual means an individual who is represented by a collective bargaining unit that is recognized by the Company or Participating Employer.

**"Claim"** means a request by a claimant for a plan benefit or an Eligibility Determination that contains at a minimum, the information described in the Claims Procedures Appendix of the applicable SPD.

**"Claim for an Eligibility Determination"** means a Claim requesting a determination as to whether a claimant is eligible to be a Participant under a Plan.

**"Claim for a Plan Benefit"** means a Claim requesting that the Plan pay for benefits covered under a Plan.

**"Claims Administrator"** means Metropolitan Life Insurance Company with whom the Company has contracted to perform certain services under the Program.

**"Code"** means the Internal Revenue code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

**"Company"** means The Dow Chemical Company, a corporation organized under the laws of Delaware.

**"Domestic Partner"** means a person who is a member of a Domestic Partnership.

**"Domestic Partnership"** means two people claiming to be "domestic partners" who meet all of the following requirements of paragraph A, or the requirements of paragraph B:

A.

1. the two people must have lived together for at least twelve (12) consecutive months immediately prior to receiving coverage for benefits under the Plan, and
2. the two people are not Married to other persons either now, or at any time during the twelve month period, and
3. during the twelve month period, and now, the two people have been and are each other's sole domestic partner in a committed relationship similar to a legal Marriage relationship and with the intent to remain in the relationship indefinitely, and
4. each of the two people must be legally competent and able to enter into a contract, and
5. the two people are not related to each other in a way which would prohibit legal Marriage between opposite sex individuals, and
6. in entering the relationship with each other, neither of the two people are acting fraudulently or under duress, and

7. during the twelve month period and now, the two people have been and are financially interdependent with each other, and
  8. each of the two people have signed a statement acceptable to the Plan Administrator and have provided it to the Plan Administrator.
- B.
1. Evidence satisfactory to the Plan Administrator is provided that the two people are registered as domestic partners, or partners in a civil union in a state or municipality or country that legally recognizes such domestic partnerships or civil unions, and
  2. each of the two people have signed a statement acceptable to the Plan Administrator and have provided it to the Plan Administrator.

**"Dow"** means a Participating Employer or collectively, the Participating Employers, as determined by the context of the sentence in which it is used, as such is interpreted by the Plan Administrator or his delegee.

**"Employee"** means a person who:

- a. is employed by a Participating Employer to perform personal services in an employer-employee relationship which is subject to taxation under the Federal Insurance Contribution Act or similar federal statute; and
- b. receives payment for services performed for the Participating Employer directly from the Company's U.S. Payroll Department, or another Participating Employer's U.S. Payroll Department; and
- c. is either a Salaried individual who is classified by the Participating Employer as having "regular full-time status or "less-than-full-time status", or a Bargained-for individual who is classified by the Participating Employer as having "regular full-time active status", and
- d. if Localized, is Localized in the U.S., and
- e. if on an international assignment, is either a U.S. citizen or Localized in the U.S.

The definition of "Employee" does not include an individual who performs services for the benefit of a Participating Employer if his compensation is paid by an entity or source other than the Company's U.S. Payroll Department or another Participating Employer's U.S. Payroll Department. Further, the definition of "Employee" does not include any individual who is characterized by the Participating Employer as an independent contractor, contingent worker, consultant, contractor, or similar term. These individuals are not "Employees" (with a capital "E") for purposes of the Plan even if such an individual is determined by a court or regulatory agency to be a "common law employee" of a Participating Employer.

**"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

**"Full-Time"** Employee means an Employee who has been classified by a Participating Employer as having "full-time" status.

**"Hourly"** Employee means an Employee who is represented by a collective bargaining unit that is recognized by the Company or other Participating Employer.

**"Less-Than-Full-Time Employee"** means an Employee who has been classified by a Participating Employer as having "less-than-full-time status".

**"Localized"** means that a Participating Employer has made a determination that an Employee is permanently relocated to a particular country, and the Employee has accepted such determination. For example, a Malaysian national is "Localized" to the U.S. when a Participating Employer has determined that such Employee is permanently relocated to the U.S., and such Employee has accepted such determination.

**"Married" or "Marriage"** means a legally valid marriage between a man and a woman recognized by the state in which the man and the woman reside.

**"Participating Employer"** means the Company or any other corporation or business entity the Company authorizes to participate in the Program with respect to its Employees.

**"Plan"** means either the Company-Paid Life Insurance Plan (for Salaried and Certain Bargained for Employees), which is a component of The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507); or the Employee-Paid Life Insurance Plan or the Dependent Life Insurance Plan, which are components of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515); whichever the case may be.

**"Plan Administrator"** means the Company or such person or committee as may be appointed from time to time by the Company to serve at its pleasure.

**"Plan Document"** means either the plan document for The Dow Chemical Company Group Life Insurance Program or The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program, whichever the case may be.

**"Program"** means either The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507) or The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515), whichever the case may be.

**"Program Year"** means the 12-consecutive-month period ending each December 31.

**"Regular"** Employee is an Employee who is classified by the Employer as "regular."

**"Retire"** or **"Retirement"** means when an active Employee who is age 50 or older with 10 or more years of Service terminates employment with a Participating Employer who is also a "Retiree".

**"Retiree"** means an Employee who is age 50 or older with 10 or more years of Service when his employment terminated with a Participating Employer and is eligible to receive a pension under the Dow Employees' Pension Plan and was a Participant in the Program on the day preceding Retirement. An Employee who is receiving, or has received a benefit, under the 1993 Special Separation Payment Plan who is 50 or older at the time he leaves active employment with Dow, regardless of years of Service, is also a "Retiree".

**"Retiree"** also means an Employee who is age 50 or older with 10 or more years of Service when his employment terminated with a Participating Employer, terminated employment with the Participating Employer on or after February 6, 2003, is eligible to receive a pension under the terms of the Union Carbide Employees' Pension Plan, and was a Participant in the Program on the day preceding termination of employment with the Participating Employer.

**"Retiree"** also means an Employee who was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan, terminated employment with Dow Chemical Canada Inc. on or after October 1, 2003 at age 50 or older with 10 or more years of Service, is eligible to receive a pension from the pension plan sponsored by Dow Chemical Canada Inc., and signed a waiver of all his rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between himself and The Dow Chemical Company.

**"Salaried"** means an individual who is not represented by a collective bargaining unit.

**"Service"** means:

With respect to a Retiree who is eligible to receive a pension from the Dow Employees' Pension Plan, "Service" means either Eligibility Service" or "Credited Service" recognized under the Dow Employees' Pension Plan, whichever is greater. With respect to a Retiree who is eligible to receive a pension from the Union Carbide Employees' Pension Plan, "Service" means "Eligibility Service" or "Credited Service" recognized under the Union Carbide Employees' Pension Plan, whichever is greater.

**"Spouse"** means a person who is Married to the Employee.

**"SPD"** means the Summary Plan Description.

**The Dow Chemical Company  
Retiree Life Insurance Plans  
for Salaried Retirees and Retirees of Certain Hourly Groups  
Summary Plan Description for:**

Retiree Company-Paid Life Insurance Plan  
Retiree Optional Life Insurance Plan  
Retiree Dependent Life Insurance Plan

Amended and Restated October 1, 2007  
To be effective January 1, 2008 and thereafter until superseded  
Applicable to Employees hired prior to January 1, 2008

This Summary Plan Description (SPD) is updated from time to time on the Dow Intranet:

See also the DowFriends edition that contains Choices enrollment brochures, which are published annually, for summaries of the most recent modifications to this SPD. Copies of updated SPDs can be found at the Dow Intranet address above, or by requesting a copy from the Retiree Service Center, Employee Development Center, Midland, MI 48674, telephone 800-344-0661 or 989-636-0977. Summaries of modifications may also be published from time to time in DowFriends or by separate letter.

### Overview

Three life insurance benefit plans are available to eligible Retirees and their families: Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan and Retiree Dependent Life Insurance Plan (hereafter collectively referred to as the “Plans” or individually as “Plan”). This is the Summary Plan Description (SPD) for these plans. Different eligibility and coverage levels will apply depending on whether you are a Retired Salaried Employee or a Retired Hourly Employee. Also, there are differences among the various Hourly groups. Special rules also apply to Retired Split Dollar Participants, Post-65 Executive Life Participants and Disability Retirees.

Chapter One applies to The Dow Chemical Company Group Life Insurance Program’s Retiree Company-Paid Life Insurance Plan (“Retiree Company-Paid Life Insurance Plan”). The Retiree Company-Paid Life Insurance Plan is sponsored and administered by The Dow Chemical Company. It is part of The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507). It provides group term life insurance underwritten by Metropolitan Life Insurance Company (“MetLife”).

Chapter Two applies to The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program’s Retiree Optional Life Insurance Plan (“Retiree Optional Life Insurance Plan”). The Retiree Optional Life Insurance Plan is sponsored and administered by The Dow Chemical Company. Premiums are paid by the Retiree. It is part of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515). It provides group term life insurance underwritten by MetLife.

Chapter Three applies to The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program’s Retiree Dependent Life Insurance Plan (“Retiree Dependent Life Insurance Plan”). The Retiree Dependent Life Insurance Plan is sponsored and administered by The Dow Chemical Company. It is part of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program. It provides group term life insurance underwritten by MetLife. The premium is paid by the Retiree. Coverage may be provided for eligible Dependents.

Please review the information in this SPD carefully to become familiar with your benefit plans, guidelines, rights and responsibilities. Words that are capitalized are either defined in this SPD or in the Plan Documents for The Dow Chemical Company Group Insurance Program (for the Retiree Company-Paid Life Insurance Plan) and The Dow Chemical Company Employee Paid and Dependent Life Insurance Program (for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan). The Plan Documents include the applicable insurance policies and insurance certificates. The Plan Documents are available upon request. Contact the Plan Administrator listed in the *ERISA Information* section.

References to “Dow” and “Participating Employers” are used interchangeably, and both refer collectively to The Dow Chemical Company and the subsidiaries and affiliates of The Dow Chemical Company that are authorized to participate in the Plans. The “Company” means The Dow Chemical Company.



## Chapter One: The Retiree Company-Paid Life Insurance Plan

As of January 1, 2005, the following plans of The Dow Chemical Company Group Life Insurance Program were merged into The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan: Michigan Hourly Retiree Company-Paid Life Insurance Plan; Texas Operations Hourly Basic Life Insurance Plan; Hampshire Hourly Retiree Company-Paid Life Insurance Plan; Hampshire Chemical Corporation Hourly Retiree Company-Paid Life Insurance Plan for Retirees Who Retired Between March 1, 1988 and January 1, 1999; Hampshire Chemical Corporation Hourly Retiree Company-Paid Life Insurance Plan (Waterloo); and ANGUS Hourly Retiree Company-Paid Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Company-Paid Life Insurance Plan. Effective December 31, 2005, the Dow AgroSciences LLC Life Insurance Plan was terminated, and the retiree company-paid life insurance portion of that plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan for those who retired prior to January 1, 2006.

The Retiree Company-Paid Life Insurance Plan is referred to in Chapter One as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 applies to Retired Michigan Operations Hourly Employees

Section 3 applies to Retired Texas Operations Hourly Employees who retired prior to January 1, 2003

Section 4 applies to Retired Hampshire Waterloo Hourly Employees who retired during a specified period

Section 5 applies to Retired Hampshire Owensboro and Nashua Hourly Employees who retired during a specified period

Section 6 applies to Disability Retirees

Section 7 applies to Retired Split Dollar Participants

Section 8 applies to Post-65 Executive Life Insurance Participants

Section 9 applies to Certain Union Carbide Retirees who retired prior to February 7, 2003

Section 10 applies to Retired Employees of Dow AgroSciences LLC who retired prior to January 1, 2006

Section 11 applies to post January 22, 2007 acquisition new hires

Section 12 through to the remaining sections of Chapter One apply to all persons eligible for coverage under the Plan

### Section 1. Retired Salaried Employees and Certain Retired Hourly Employees

#### Eligibility

Section 1 of Chapter One of this SPD does NOT apply to:

- Retirees who were hired on or after January 1, 2008. (These Retirees are not eligible for coverage.);
- Hourly Employees who retired from Michigan Operations prior to January 1, 2008;
- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;
- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Texas Operations Employees who retired prior to January 1, 2003;
- Retired Split Dollar Participants;
- Post-65 Executive Life Insurance Participants; and
- Union Carbide Employees who retired prior to February 7, 2003; and
- Dow AgroSciences Employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who, on the day preceding your Retirement, was enrolled for coverage under a Company-Paid Life Insurance Plan offered under The Dow Chemical Company Group Life Insurance Program, you are eligible for the coverage described below in *Coverage Amounts for Eligible Salaried and Hourly Retirees*. In order to be a "Retiree", you must have been at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated. As of January 1, 2008, Agrigenetics Inc. d/b/a Mycogen Seeds became a Participating Employer. Service prior to January 1, 2001 with Agrigenetics Inc. d/b/a Mycogen Seeds is not recognized by the Program.



**Enrollment**

Upon Retirement, you may complete an enrollment form, with coverage effective immediately. If you want to be covered under Plan Option I at age 65, you must complete an enrollment form and return it to the U.S. Benefits Center **within 31 days** of your Retirement. **Failure to return the form within 31 days of your Retirement will result in automatic enrollment in pre-age 65 coverage and Plan Option II at age 65.**

**Note:** At a later date, you may decrease your coverage option by switching from Plan Option I to Plan Option II; however, you will not be permitted to upgrade your coverage by switching from Plan Option II to Plan Option I, even with proof of insurability.

You may waive coverage. If you want to waive coverage, you must provide written notification to the U.S. Benefits Center. **If you waive coverage, you waive coverage permanently. You may not re-enroll in this Plan at any time in the future.**

**Coverage Amounts for Eligible Salaried and Hourly Retirees****Coverage Prior to Age 65**

Until you reach age 65, you will be provided with coverage equal to one times (1x) your base annual salary at time of Retirement, rounded up to the next \$1000, plus \$5000. Currently, the Company pays the cost of this coverage.

**Coverage Age 65 or older**

There are two plan options available to Retirees age 65 and older. Plan Option I requires a monthly Retiree contribution. Currently, Plan Option II is provided at no cost to you.

**Plan Option I:** Beginning on the first of the month following your 65th birthday, your life insurance will equal 1x your base annual salary, rounded up to the next \$1,000. At age 66, your coverage amount is reduced 20 percent (of the original amount) each year until age 68. At age 68 and beyond, your coverage amount is equal to one-half your base annual salary at time of Retirement, with minimum coverage of \$10,000. The following chart summarizes the insurance coverage for Retirees electing Plan Option I:

<b><u>Age</u></b>	<b><u>Coverage Amount</u></b>
65	1x base salary at time of Retirement (\$10,000 minimum)
66	80% of benefit at Retirement (\$10,000 minimum)
67	60% of benefit at Retirement (\$10,000 minimum)
68+	50% of benefit at Retirement (\$10,000 minimum)

**Plan Option II:** Beginning on the first of the month following your 65th birthday, your life insurance will equal 1x your base annual salary, rounded up to the next \$1,000. At age 66, your coverage amount is reduced 20 percent (of the original amount) each year until you reach age 70. At age 70 and beyond, Dow will provide coverage of \$5,000. The following chart summarizes the insurance coverage for Retirees electing Plan Option II.

<b><u>Age</u></b>	<b><u>Coverage Amount</u></b>
65	1x base salary at time of Retirement (\$5,000 minimum)
66	80% of benefit at Retirement (\$5,000 minimum)
67	60% of benefit at Retirement (\$5,000 minimum)
68	40% of benefit at Retirement (\$5,000 minimum)
69	20% of benefit at Retirement (\$5,000 minimum)
70+	\$5,000

**Cost****Prior to Age 65**

Currently, Retiree Company-Paid Life Insurance coverage is provided at no cost to you.

**Age 65 and Older**

**Plan Option I:** You share the cost of coverage with Dow. Your cost is based on a rate per \$1,000 of 1X coverage and is subject to change based on plan experience. Your premium payment is deducted, post-tax, from your monthly pension check. Premiums may vary from year to year. Premium information is communicated in the Choices U.S. Retiree Benefits Enrollment Booklet, and periodically in DowFriends. If you elect not to have your premium deducted from your pension check, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

**Plan Option II:** Currently, coverage is provided at no cost to you.

**Section 2. Retired Michigan Operations Hourly Employees****Eligibility**

If you were hired on or after January 1, 2008, you are not eligible for coverage. If you were hired prior to January 1, 2008, and you are a Retired Michigan Operations Hourly Employee who Retired on or after June 1, 1990 but before January 1, 2008, and you were covered under the Company-Paid Life Insurance Plan on the day preceding your Retirement, you are eligible for the coverage described below under “*Coverage Amounts for Eligible Midland/Ludington Hourly Retirees*”.

**Coverage Amounts for Eligible Midland/Ludington Hourly Retirees****Prior to Age 65**

Until you reach age 65, you will be provided with coverage equal to the amount of coverage you had as an active Hourly Employee under the Company-Paid Life Insurance on the day preceding the date of your Retirement.

**Age 65 or older**

On or after your 65th birthday, your Retiree Company-Paid Life Insurance benefits will be determined by applying the appropriate percentage from the following table to the amount of your Retiree Company-Paid Life Insurance in effect the date preceding your 65th birthday, with a minimum of \$5,000.

<u>Age</u>	<u>Coverage Amount</u>
65	½ x annual pay at time of Retirement (\$5,000 minimum)
66	80% of benefit at Retirement (\$5,000 minimum)
67	60% of benefit at Retirement (\$5,000 minimum)
68	40% of benefit at Retirement (\$5,000 minimum)
69	20% of benefit at Retirement (\$5,000 minimum)
70+	\$5,000

**Cost**

Currently, the Company pays the cost of this coverage.

**Section 3. Retired Texas Operations Employees**

Texas Operations Hourly Employees who Retired prior to January 1, 2003, and had Non-Contributory coverage under The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for \$10,000 of coverage until age 65. Coverage is reduced to \$5000 at age 65. Currently, the Company pays the cost of this coverage.

**Section 4. Retired Hampshire Waterloo Hourly Employees**

If you retired from Hampshire Chemical Corp. on or after March 1, 1988, through December 31, 1999, at age 62 or older and were represented while an active employee by the United Steelworkers of America AFL-CIO Local Union #7110, a bargaining unit of Hampshire Chemical Corp.'s Waterloo, NY facility, you have \$5000 of coverage. Currently, the Company pays the cost of this coverage.

**Section 5. Retired Hampshire Owensboro and Nashua Hourly Employees**

If you Retired from Hampshire Chemical Corp. between March 1, 1988, and January 1, 1999, and had five or more years of service with W.R. Grace Company and/or Hampshire Chemical Corp. and were represented while an active employee by either the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (AFL-CIO) Local Lodge 727 (a bargaining unit at Hampshire Chemical Corp.'s Owensboro, Kentucky facility) or the International Chemical Workers Union Council/UFCW, Local No. 952-C (a bargaining unit at Hampshire Chemical Corp.'s Nashua, New Hampshire facility), you are eligible for the coverage described below in *Coverage Amounts for Eligible Hampshire Owensboro and Nashua Hourly Retirees*.

**Coverage Amounts for Eligible Hampshire Owensboro and Nashua Hourly Retirees.**

If you are an eligible Retiree who was represented by the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (AFL-CIO) Local Lodge 727 (a bargaining unit at Hampshire Chemical Corp.'s Owensboro, Kentucky facility) while you were an active Employee, your coverage is \$6000.

If you are an eligible Retiree who was represented by the International Chemical Workers Union Council/UFCW, Local No. 952-C (a bargaining unit at Hampshire Chemical Corp.'s Nashua, New Hampshire facility) while you were an active Employee, your coverage is \$5000.

**Cost**

Currently, the Company pays the cost of this coverage.

**Section 6. Disability Retirees**

If you were hired on or after January 1, 2008, you are not eligible for coverage. If you were hired prior to January 1, 2008, and if you are receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and are not a former Texas Operations Hourly Employee who retired prior to January 1, 2003, and you were covered under The Dow Chemical Company Company-Paid Life and/or Employee-Paid Life Insurance Plans on the day preceding your Retirement, you are eligible for the coverage described below in *Coverage Amounts for Disability Retirees*. If you are receiving disability retirement payments from the Union Carbide Employees' Pension Plan ("UCEPP") and retired on or after February 7, 2003, you are also eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

If you are a former Texas Operations Hourly Employee who retired prior to January 1, 2003 receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and you were covered under the Texas Operations Hourly Contributory Optional Life Insurance Plan coverage on the day preceding your Retirement, you are eligible for coverage as described below in *Coverage Amounts for Texas Operations Hourly Disability Retirees*.

**Coverage Amounts for Disability Retirees**

**Pre-65 coverage.** If you are a Retiree who is receiving a "disability retirement benefit" from DEPP, as defined under DEPP, you will be provided with Retiree Company-Paid Life coverage equal to the coverage you had as an active employee. Until age 65, additional coverage equal to 1/2 x or 1x your base annual pay at Retirement, rounded up to the next \$1000, is provided if you were previously enrolled for at least that amount of Employee-Paid Life coverage as an active employee. Coverage is contingent on you continuing to meet the requirements to receive disability retirement benefits from DEPP or UCEPP. If your DEPP disability retirement effective date is **prior to January 1, 2006** (or your UCEPP disability retirement effective date is on or after February 7, 2003 and prior to January 1, 2006), this additional coverage is currently provided at no cost to you.

**Age 65 and older.**

If you are: (1) a disability retiree under DEPP or UCEPP, and (2) your DEPP disability retirement effective date is **prior to January 1, 2006** (or your UCEPP disability retirement effective date is on or after February 7, 2003 and prior to January 1, 2006), and (3) you are not a Texas Operations Hourly Employee who began receiving Disability Retirement from DEPP prior to January 1, 2003, and (4) you were covered under the Dow Company-Paid Life Insurance Plan on the day preceding your Retirement, then you are covered under Plan Option I if you enrolled for Option I at time of Retirement. Coverage is contingent on you continuing to meet the requirements to receive disability retirement benefits from DEPP or UCEPP. Currently, this coverage is provided at no cost to you.

**Coverage Amounts for Texas Operations Hourly Disability Retirees*****Retired Prior to January 1, 1997***

If you are a former Texas Operations Hourly Employee who retired prior to January 1, 1997 receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and you were covered under the Texas Operations Hourly Contributory Optional Life Insurance Plan coverage on the day preceding your Retirement, you are eligible for coverage.

**Retirees Less than Age 65:**

Coverage equal to the amount you had as an active employee under the Texas Operations Hourly Contributory Optional Life Insurance Plan was provided until the first of the month following your 65<sup>th</sup> birthday.

**Retirees Age 65 or Older:**

If prior to age 65 your coverage amount was equal to or greater than \$30,000, coverage will be \$25,000 beginning on the first of the month following your 65<sup>th</sup> birthday. The amount of coverage is reduced each year with the minimum amount at age 68 of \$10,000. Once coverage is waived or terminated, it cannot be reinstated.

Age 65	\$25,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

***Retired on or after January 1, 1997 through December 31, 2002***

If you are a former Texas Operations Hourly Employee who retired on or after January 1, 1997 through December 31, 2002, and are receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and you were covered under the Texas Operations Hourly Contributory Optional Life Insurance Plan coverage on the day preceding your Retirement, you are eligible for coverage.

**Retirees Less than Age 65:**

Coverage was provided in increments of \$10,000, subject to a minimum of \$10,000 and a maximum of either \$60,000, or one-half the amount of Optional Contributory coverage in effect on the day preceding Retirement, whichever is less. Once coverage is waived or terminated, it cannot be reinstated.

**Retirees Age 65 or Older:**

If prior to age 65, your coverage amount was equal to or greater than \$30,000 coverage will be \$25,000 beginning on the first of the month following your 65<sup>th</sup> birthday. The amount of coverage is reduced each year with the minimum amount at age 68 of \$10,000. Once coverage is waived or terminated, it cannot be reinstated.

Age 65	\$25,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

## Section 7. Retired Split Dollar Participants

A "Retired Split Dollar Participant" is eligible for the coverage described below in *Coverage Amount for Eligible Split Dollar Retirees*. A "Retired Split Dollar Participant" is defined as a person who meets the requirements of one of the following:

- i. A person who: (a) was a Retiree on or before September 30, 2003, and (b) was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on or before September 30, 2003, and (c) signed a waiver of all his or her rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between him or her and The Dow Chemical Company; or
- ii. A person who: (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2003, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2003, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium; or
- iii. A person who: (a) was an active Employee on September 30, 2002, and (b) was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on September 30, 2002, and (c) signed a waiver of all his or her rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between him or her and The Dow Chemical Company, and (d) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (e) is now a Retiree; or
- iv. A person who: (a) was an active Employee on or before October 31, 2002, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2002, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2002, and (d) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (e) is now a Retiree; or
- v. A person who: (a) was an active Employee on October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2003, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2003, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium, and (e) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (f) is now a Retiree; or
- vi. A person who: (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2005, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium, or
- vii. A person who is not described in vi above, and (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2005. For purposes of the Plan, "1X" means either 1 times your final annual salary at Union Carbide or 40% of your final annual salary at Union Carbide, or 2 times your final annual salary at Union Carbide, depending on the amount of coverage you had under the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005.

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**Enrollment**

Retired Split Dollar Participants who were active Employees at the time their split dollar agreement was terminated, are required to submit an enrollment form at the time they Retire. Failure to return the form within 31 days of Retirement will result in automatic enrollment at the same coverage level you had as an active Employee under Company-Paid Life Insurance (1x coverage).

**Coverage Amount for Eligible Split Dollar Retirees**

Except for a person described in Section 7(vii), a Retired Split Dollar Participant has 1 times (1x) his or her final annual salary at the time of Retirement, which will continue until death. However, if you elect to waive this special 1x coverage, you will not be allowed to re-enroll in the future. With respect to a person described in Section 7 (vii), a Retired Split Dollar Participant has an amount of coverage equal to 1x, as defined in Section 7 (vii).

**Cost**

Currently, the Company pays the cost of this coverage.

**Section 8. Post-65 Executive Life Insurance Participants**

A "Post-65 Executive Life Insurance Participant" is a person who was notified prior to 1989 of their eligibility for Post-65 Executive Life Insurance, who subsequently retired and completed a Post-65 Executive Life Insurance election form, and did not later enroll in The Dow Chemical Company Executive Split Dollar Life Insurance Plan.

**Enrollment**

Post-65 Executive Life Insurance Coverage is closed to new enrollments.

**Coverage Amount for Post-65 Executive Life Insurance Participants**

Effective with their 65<sup>th</sup> birthday, a Post-65 Executive Life Insurance Participant has coverage equal to two times (2x) their final pay up to a maximum of two million dollars. This coverage will continue until death, as long as the required premiums are paid.

**Cost**

Currently, the cost of this coverage is shared by the Retiree and the Company. The Retiree's contribution, which is based on 1x of coverage is currently \$1.62 per thousand. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

**End of Coverage**

You will retain a one-time option to discontinue coverage under this program and obtain coverage applicable to a Retiree of like age under the Retiree Company-Paid Life Insurance Plan described under Section 1. However, there will be no refund of premiums paid under the Post-65 Executive Life Insurance program.

**Section 9. Retired Union Carbide Employees**

If you Retired prior to February 7, 2003, you are covered under The Dow Chemical Company Group Life Insurance Program's Union Carbide Subsidiary Basic Life Insurance Plan. You are not eligible for coverage under The Dow Chemical Company Group Life Insurance Program's Company-Paid Life Insurance Plan.

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## **Section 10. Retired Dow AgroSciences Employees**

If you retired prior to January 1, 2006 under the Dow AgroSciences Pension Plan, you are eligible for coverage equal to one times (1x) your annual base salary at time of retirement, rounded up to the next \$1000, until you reach age 66. At age 66, coverage will decrease 20% each year until you either reach age 70 or until the coverage amount is reduced to \$10,000, whichever occurs first.

### **Enrollment**

Coverage for Retired Dow AgroSciences Employees under this section is closed to new enrollments.

### **Cost**

Currently, the Company pays the cost of this coverage.

## **Section 11. General Eligibility Information**

Check the Plan Document, which addresses unusual situations, such as mergers and acquisitions, for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

You may waive coverage. If you want to waive coverage, you must provide written notification to the U.S. Benefits Center. If you waive coverage, you waive all future rights to re-enroll for coverage.

## **Section 12. Reporting Imputed Income**

Except for Retired Split Dollar Participants and Post-65 Executive Life Insurance Participants, the Internal Revenue Code allows the cost for the first \$50,000 of Retiree Company-Paid Life Insurance Plan coverage to be excluded from taxable income. Any imputed income resulting from your life insurance coverage will be reported to the IRS along with your annual pension income information.

The imputed income is determined based on a Uniform Premium Table established by the federal government.

If you are a retired Michigan Operations Hourly Employee who retired prior to January 1, 2008, the cost of your combined Company-Paid Life and Employee-Paid Life in excess of \$50,000 is taxable income and is determined based on the Uniform Premium Table established by the federal government.

If your Retiree Company Paid Life coverage is greater than \$50,000, and you want to decrease the amount of coverage from 1X to \$50,000, you may elect to do so by contacting the Retiree Service Center. The age 65 and older reduction factors will be applied to the \$50,000 amount, instead of the original Retiree Company-Paid Life amount. Once coverage is reduced, it may not be reinstated.

## **Section 13. Naming Your Beneficiary**

You designate your beneficiary when you Retire by completing the beneficiary designation section of your enrollment form. If you wish to name more than one beneficiary, you must also indicate the percentage of your benefit that each beneficiary is to receive.

If you do not name a beneficiary, your Retiree Company-Paid Life Insurance benefit will be paid to the person you designated under the active employee Company-Paid Life Insurance Plan. If you do not name a beneficiary and you did not designate a beneficiary under the active employee Company-Paid Life Insurance Plan, MetLife may determine the beneficiary to be one or more of the following who survive you:

- Your Spouse or Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you fail to name a beneficiary and you did not designate a beneficiary under the active employee Company-Paid Life Insurance Plan, instead of making payment to any of the above, MetLife may pay your estate. Your failure to designate a beneficiary may delay the payment of funds.

If you wish to change your beneficiary designation, complete a new beneficiary form, available from the Retiree Service Center. A life event (such as marriage/domestic partnership, divorce/termination of domestic partnership, etc.) may signal a need to change your beneficiary. Beneficiary changes are not effective until the date received by the U.S. Benefits Center, and are subject to the approval of MetLife.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements.

#### **Section 14.       Benefit Payment**

In the event of your death, your beneficiary should contact the Retiree Service Center and present a certified copy of your death certificate. See *Claims Procedures Appendix* of this SPD. Contact the Retiree Service Center at 1-800-344-0661.

#### **Section 15.       Accelerated Benefit Option (ABO)**

Under the Accelerated Benefit Option (ABO), if you have been diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 80% of your Retiree Company-Paid Life Insurance and Retiree Optional Life Insurance benefits before death if certain requirements are met. Having access to life proceeds at this important time could help ease financial and emotional burdens. In order to apply for ABO, you must be covered for at least \$10,000 from your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance. You may receive an accelerated benefit of up to 80 percent (minimum \$5,000 and maximum \$500,000) of your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance benefit. An accelerated benefit is payable in a lump sum and can be elected only once. The death benefit will be reduced by the amount of accelerated benefit paid. Accelerated benefits are not permitted if you have assigned your life insurance benefit to another individual or to a trust.

The accelerated life insurance benefits are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986, as amended. If the accelerated benefits qualify for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Payment of the accelerated benefit will be subject to state taxes and regulations. Tax laws relating to accelerated benefits are complex. You are advised to consult with a qualified tax advisor.

Receipt of accelerated benefits may affect your eligibility, or that of your spouse/domestic partner or your family, for public assistance programs such as medical assistance (Medicaid), Aid to Families and Dependent Children (AFDC), Supplemental Security Income (SSI), and drug assistance programs. You are advised to consult with social services agencies concerning the effect receipt of accelerated benefits will have on public assistance eligibility for you, your spouse/domestic partner or your family.

If you would like to apply for the Accelerate Benefit Option, a claim form can be obtained from the Retiree Service Center at 1-800-344-0661 and must be completed and returned for evaluation and approval by MetLife.

#### **Section 16.       Funding**

The Plan is funded by an insurance policy underwritten by Metropolitan Life Insurance Company ("MetLife").

Except for Plan Option I, the Participating Employers currently pay the entire cost of the Retiree Company-Paid Life Insurance Plan. For Plan Option I, the Retiree and the Participating Employer share the cost. The insurance carrier underwriting the Plans may combine the experience for the policy with other policies held by Dow. This means that the costs



of these coverages may be determined on a combined basis, and the costs accumulated from year to year. Favorable experience under one or more coverages in a particular year may offset unfavorable experience on other coverages in the same year or offset unfavorable experience of coverages in prior years. Policy dividends declared by the insurer for the Retiree Company-Paid Life Insurance Plan attributable to Dow's premiums are used to reduce Dow's cost for the coverage in the same and prior years.

### **Section 17. Your Rights**

You have certain rights under the Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *the Company's Right to Amend, Modify and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

### **Section 18. Ending Coverage**

Your Retiree Company-Paid Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date you no longer meet the eligibility requirements of the Plan; or
- The date you elect to terminate your coverage.

### **Section 19. Converting to an Individual Policy**

If your Company-Paid Life Insurance coverage ends because you elect to terminate your coverage or you no longer meet the eligibility requirements of the Plan, your coverage may be converted to an individual non-term policy through MetLife, Inc. The maximum amount of insurance that may be elected for the new policy is the amount of Company-Paid Life Insurance in effect for you under the Company-Paid Life Insurance Plan on:

- the date you elected to terminate your coverage; or
- the date you no longer meet the eligibility requirements of the Plan.

If your Company-Paid Life Insurance coverage ends because Dow has cancelled the Company-Paid Life Insurance coverage under the MetLife group life insurance policy, or Dow has amended the Company-Paid Life Insurance Plan to exclude coverage for your eligible group, you may convert your Company-Paid Life Insurance coverage to an individual non-term MetLife policy; provided you have been covered under the Company-Paid Life Insurance Plan for at least 5 years immediately prior to losing coverage under the Company-Paid Life Insurance Plan. The amount you may convert is limited to the lesser of:

- the amount of Company-Paid Life Insurance for you that ends under the Group Policy less the amount of life insurance for which you become eligible under any group policy within 31 days after the date insurance ends under the Group Policy; or
- \$2,000.

You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or decreases. Contact the Dow Retiree Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-877- 275-6387 to file your form, or to obtain further information. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

## Chapter Two: Retiree Optional Life Insurance Plan

As of January 1, 2005, the following plans were merged into the Retiree Optional Life Insurance Plan: The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program's Retiree Optional Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Pre-65 Retiree Optional Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Retiree Optional Life Insurance plan (Waterloo); and ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Pre-65 Retiree Optional Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Optional Life Insurance Plan. Effective December 31, 2005, the Dow AgroSciences LLC Life Insurance Plan was terminated, and the optional retiree life insurance portion of that plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Optional Life Insurance Plan for those who retired prior to January 1, 2006. Effective January 1, 2008, the Midland and Ludington Hourly Pre-65 Retiree Optional Life Insurance Plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Optional Life Insurance Plan for those who retired on or after January 1, 2008.

The Retiree Optional Life Insurance Plan is referred to in Chapter Two as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 applies to Retired Texas Operations Hourly Employees who retired during a specified period

Section 3 applies to Retired Hampshire Waterloo Hourly Employees who retired during a specified period

Section 4 applies to Disability Retirees

Section 5 applies to Retired Split Dollar Participants

Section 6 applies to Certain Union Carbide Retirees who retired prior to February 7, 2003

Section 7 applies to Retired Employees of Dow AgroSciences LLC who retired prior to January 1, 2006

Section 8 applies to post January 22, 2007 acquisition new hires

Section 9 through to the remaining sections of Chapter Two apply to all persons eligible for coverage under the Plan

### Section 1. Retired Salaried Employees and Certain Retired Hourly Employees

#### Eligibility

Section 1 of Chapter Two of this SPD does **NOT** apply to:

- Retirees who were hired on or after January 1, 2008. (These Retirees are not eligible for coverage.);
- Hourly Employees who retired from Michigan Operations prior to January 1, 2008;
- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;
- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Texas Operations Employees who retired prior to prior to January 1, 2003;
- Retired Split Dollar Participants;
- Union Carbide Employees who retired prior to February 7, 2003;
- Dow AgroSciences employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who is less than age 65 and, on the day preceding your Retirement, you were enrolled for coverage under an Employee-Paid Life Insurance Plan sponsored by a Participating Employer, you are eligible for the coverage described below in *Optional Coverage Amounts for Eligible Salaried and Hourly Retirees* without proof of insurability. If you were not previously enrolled, proof of insurability is required. In order to be a "Retiree", you must have had at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated. As of January 1, 2008, Agrigenetics Inc. d/b/a Mycogen Seeds became a Participating Employer. Service prior to January 1, 2001 with Agrigenetics Inc. d/b/a Mycogen Seeds is not recognized by the Program.

**Enrollment**

If you were previously enrolled for Employee-Paid Life Insurance as an active Employee, you may complete an enrollment form upon Retirement, with coverage effective immediately under the Retiree Optional Coverage. You must complete an enrollment form and return it to the U.S. Benefits Center **within 31 days** of your Retirement. **Failure to return the form within 31 days of your Retirement will result in waiver of your coverage.**

If you were not previously enrolled, you must provide proof of insurability. This proof may require a physical examination, at your expense. MetLife will pay for the fee of a paramedical exam, if requested by MetLife, with no cost to the employee/applicant when a MetLife physician is used.

You may decrease or cancel your coverage at any time by completing a new enrollment form and returning it to the Plan..

If you wish to enroll at a later date or increase your coverage amount, proof of insurability will be required.

**Optional Coverage Amounts and Costs for Eligible Salaried and Hourly Retirees**

You may purchase coverage equal to either 1/2x or 1x your base annual salary at Retirement, rounded up to the next \$1,000, if you were previously enrolled for at least that amount of coverage as an active employee. Pre-65 Retiree Optional rates are age-related rates. Premium information is communicated in the annual Choices U.S. Retiree Benefits Enrollment Booklet, and periodically in DowFriends. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP") or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

If you were previously enrolled for a lesser amount, proof of insurability will be required. In any case, the maximum coverage available is 1x, rounded up to the next \$1,000.

**End of Coverage**

Coverage ends at the end of the month in which you reach age 65. Coverage ends earlier than age 65 if you cancel coverage or fail to pay the required premiums.

**Section 2. Retired Texas Operations Employees*****Retired on or after October 1, 1992 but prior to January 1, 2003***

Texas Operations Hourly Employees who Retired on or after October 1, 1992 but prior to January 1, 2003, and were enrolled on the day preceding their Retirement in the Optional Life Insurance Plan of The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for the coverage.

**Retirees Less than Age 65:**

Coverage could be purchased in increments of \$10,000, subject to a minimum of \$10,000 and a maximum of either \$60,000, or one-half the amount of Optional Contributory coverage you had in effect on the day preceding your Retirement, whichever is less. Once coverage is waived or terminated, it cannot be reinstated.

**Retirees Age 65 or Older:**

If you carried an amount equal to or greater than \$30,000 prior to age 65 you had the option to purchase \$25,000 beginning on the first of the month following your 65<sup>th</sup> birthday. The amount of insurance is reduced each year with the minimum amount at age 68 of \$10,000. Once coverage is waived or terminated, it cannot be reinstated.

Age 65	\$25,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

Your premium for Retiree Optional Life Insurance is based on the amount of coverage you select. Your premiums are deducted post-tax from your monthly pension check. Premiums are subject to change. Premium changes are published in DowFriends. If your premiums are not automatically deducted from pension payments from the Dow Employees' Pension Plan (DEPP), formerly known as the Dow Employee Retirement Plan (ERP), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

#### *Retired Prior to October 1, 1992*

Texas Operations Hourly Employees who Retired prior to October 1, 1992, and were enrolled, on the day preceding their Retirement, in the Optional Life Insurance Plan of The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for the coverage.

##### **Retirees Less than Age 65:**

Coverage could be purchased for half the amount of coverage you had as an active Employee under the Optional Contributory plan, up to \$25,000 until age 65. Once coverage is waived or terminated, it cannot be reinstated.

##### **Retirees Age 65 or Older:**

If you carried an amount equal to or greater than \$30,000 prior to age 65 you had the option of purchase \$25,000 beginning on the first of the month following your 65<sup>th</sup> birthday. The amount of insurance is reduced each year with the minimum amount at age 68 of \$10,000. Once coverage is waived or terminated, it cannot be reinstated.

Age 65	\$25,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

If you carried an amount equal to \$20,000 prior to age 65 you had the option to purchase \$20,000 beginning on the first of the month following your 65<sup>th</sup> birthday. The amount of insurance is reduced each year with the minimum amount at age 68 of \$10,000. Once coverage is waived or terminated, it cannot be reinstated.

Age 65	\$20,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

Your premium for Retiree Optional Life Insurance is based on the amount of coverage you select. Your premiums are deducted post-tax from your monthly pension check. Premiums are subject to change. Premium changes are published in DowFriends. If your premiums are not automatically deducted from pension payments from the Dow Employees' Pension Plan (DEPP), formerly known as the Dow Employee Retirement Plan (ERP), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

### **Section 3. Retired Hampshire Waterloo Hourly Employees**

If you retired from Hampshire Chemical Corp. on or after March 1, 1988, through December 31, 1999, at age 55 or older and were represented while an active employee by the United Steelworkers of America AFL-CIO Local Union #7110, a bargaining unit of Hampshire Chemical Corp.'s Waterloo, NY facility, and you were enrolled in Hampshire Chemical Corp. supplemental employee paid life insurance coverage on the day preceding your retirement, you are eligible for the amount of optional life insurance you had on the day preceding your retirement, i.e., \$2500, \$5000, \$7500, or \$13,000. You are required to pay the premiums. Premiums are subject to change. Changes to premiums are published in DowFriends. If your premiums are not automatically deducted from payments from your pension, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

#### Section 4. Disability Retirees

If you were hired on or after January 1, 2008, you are not eligible for coverage. If you were hired prior to January 1, 2008, and if you are receiving a "disability retirement benefit" from DEPP, as defined under DEPP, and you are not a former Texas Operations Hourly Employee, and you were covered under The Dow Chemical Company Employee-Paid Life Insurance Plan on the day preceding your Retirement, you are eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

If you are receiving a "disability retirement benefit" from UCEPP, as defined under UCEPP, on or after February 7, 2003, and you were covered under The Dow Chemical Company Employee-Paid Life Insurance Plan on the day preceding your Retirement, you are also eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

##### Coverage Amounts for Disability Retirees

###### **Pre-65 coverage.**

Disability on or after January 1, 2006: Effective January 1, 2006, if you are a disability retiree under DEPP or UCEPP, and your disability retirement effective date is on or after January 1, 2006, your eligibility, coverage amounts and costs are the same as Retirees who are not receiving a "disability retirement benefit" under DEPP or UCEPP. See Chapter Two, Section 1 of this SPD.

Disability prior to January 1, 2006: See Chapter One, Section 6 of this SPD.

###### **Age 65 and older.**

Disability on or after January 1, 2006: Effective January 1, 2006, if you are a disability retiree under DEPP or UCEPP, and your disability retirement effective date is on or after January 1, 2006, your eligibility, coverage amounts and costs are the same as Retirees who are not receiving a Disability Retirement under DEPP or UCEPP.

Disability prior to January 1, 2006: See Chapter One, Section 6 of this SPD.

#### Section 5. Retired Split Dollar Participants

Except for those described in Section 7 (vii) of Chapter One: Company Paid Life Insurance Plan in this SPD, Retired Split Dollar Participants are eligible for 1x Split Dollar Equivalent Coverage if they elected to purchase the 1x Employee-paid or Retiree-paid split dollar replacement coverage ("1x Split Dollar Equivalent Coverage") at the time it was offered to them when their split dollar agreements were terminated, and they continue to pay the premiums for that coverage. For the definition of "Retired Split Dollar Participants" see Chapter One of this SPD, Section 7 entitled *Retired Split Dollar Participants*. Retired Split Dollar Participants described in Section 7(vii) of Chapter One are not eligible for coverage under the Retiree Optional Life Insurance Plan.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

##### Enrollment

If you are a Retired Split Dollar Participant who was an active Employee at the time your split dollar agreement was terminated, and you are paying premiums for the 1x Split Dollar Equivalent Coverage, you are required to submit an enrollment form at the time you Retire if you wish to continue the 1x Split Dollar Equivalent Coverage as a Retiree. **Failure to return the form within 31 days of your Retirement will result in automatic enrollment in the 1x Split Dollar Equivalent Coverage.** If you waived the 1x Split Dollar Equivalent Coverage at the time your split dollar agreement was terminated, or if such coverage was waived or cancelled after your split dollar agreement was terminated, you may not subsequently enroll for such coverage at any time.

**Costs**

You pay the premium for coverage. The cost for coverage is subject to change, according to Plan experience. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP") or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

**Coverage Levels**

Coverage is 1x of your final annual salary rounded up to the next \$1,000.

**End of Coverage**

1x Split Dollar Equivalent Coverage ends if you cancel coverage or fail to pay the required premiums.

**Section 6. Retired Union Carbide Employees**

If you Retired prior to February 7, 2003, you are covered under The Dow Chemical Company Group Life Insurance Program's Union Carbide Subsidiary Basic Life Insurance Plan. You are not eligible for coverage under the Retiree Optional Life Insurance Plan.

**Section 7. Retired Dow AgroSciences Employees**

If you Retired prior to January 1, 2006 under the Dow AgroSciences Pension Plan and if you were enrolled in supplemental coverage (1x, 2x, 3x, or 4x) under the Dow AgroSciences LLC Life Insurance Plan as an active Employee on the day preceding your retirement, you may purchase supplemental life insurance coverage equal to one times your annual base salary at the time of your Retirement. You are required to pay the premiums. Premiums are age-related and subject to change. Changes to premiums are published in DowFriends. If your premiums are not automatically deducted from payments from your pension, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Coverage ends at the end of the month in which you reach age 65. Coverage ends earlier than age 65 if you cancel coverage or fail to pay the required premiums.

**Section 8. General Eligibility Information**

Check the Plan Document, which addresses unusual situations, such as mergers and acquisitions, for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

**Section 9. Naming Your Beneficiary**

You designate your beneficiary when you Retire by completing the beneficiary designation section of your enrollment form. If you wish to name more than one beneficiary, you must also indicate the percentage of your benefit that each beneficiary is to receive.

If you do not name a beneficiary, your Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated when you were an active Employee under the Employee-Paid Life Insurance Plan. If you did not designate a beneficiary under the Employee-Paid Life Insurance Plan, then the Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated under the Retiree Company-Paid Life Insurance Plan. If you did not name a beneficiary under the Retiree Company-Paid Life Insurance Plan, your Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated under the active employee Company-Paid Life Insurance Plan. If you did not name a beneficiary under the active

employee Company-Paid Life Insurance Plan, MetLife may determine the beneficiary to be one or more of the following who survive you:

- Your Spouse or Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you did not name a beneficiary under the Retiree Company-Paid Life Insurance Plan or while you were an active employee under the active employee Company-Paid Life Insurance Plan, instead of making payment to any of the above, MetLife may pay your estate. Your failure to designate a beneficiary may delay the payment of funds.

If you wish to change your beneficiary designation, complete a new beneficiary form, available from the Retiree Service Center. A life event (such as Marriage/Domestic Partnership, divorce/termination of Domestic Partnership, etc.) may signal a need to change your beneficiary. Beneficiary changes are not effective until the date received by the U.S. Benefits Center, and are subject to the approval of MetLife.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements.

#### **Section 10.           Benefit Payment**

In the event of your death, your beneficiary should contact the Retiree Service Center. A certified death certificate must be provided to MetLife to disburse the life insurance proceeds. See *Claims Procedures Appendix* of this SPD. Contact the Retiree Service Center at 1-800-344-0661.

#### **Section 11.           Accelerated Benefit Option (ABO)**

Under the Accelerated Benefit Option (ABO), if you have been diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 80% of your Retiree Company-Paid Life Insurance and Retiree Optional Life Insurance benefits before death if certain requirements are met. Having access to life proceeds at this important time could help ease financial and emotional burdens. In order to apply for ABO, you must be covered for at least \$10,000 from your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance. You may receive an accelerated benefit of up to 80 percent (minimum \$5,000 and maximum \$500,000) of your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance benefit. An accelerated benefit is payable in a lump sum and can be elected only once. The death benefit will be reduced by the amount of accelerated benefit paid. Accelerated benefits are not permitted if you have assigned your life insurance benefit to another individual or to a trust.

The accelerated life insurance benefits are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986, as amended. If the accelerated benefits qualify for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Payment of the accelerated benefit will be subject to state taxes and regulations. Tax laws relating to accelerated benefits are complex. You are advised to consult with a qualified tax advisor.

Receipt of accelerated benefits may affect your eligibility, or that of your spouse/domestic partner or your family, for public assistance programs such as medical assistance (Medicaid), Aid to Families and Dependent Children (AFDC), Supplemental Security Income (SSI), and drug assistance programs. You are advised to consult with social services agencies concerning the effect receipt of accelerated benefits will have on public assistance eligibility for you, your spouse/domestic partner or your family.

If you would like to apply for the Accelerate Benefit Option, a claim form can be obtained from the Retiree Service Center at 1-800-344-0661 and must be completed and returned for evaluation and approval by MetLife.

## Section 12. Funding

The Plan is funded by an insurance policy underwritten by Metropolitan Life Insurance Company ("MetLife").

Retirees pay the entire premium for coverage. The benefits under the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under this insurance coverage in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any future dividends declared for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

### Joint Insurance Arrangement

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that has been approved by the U.S. Department of Labor in DOL Opinion Letter 97-24A. Under this arrangement, MetLife has or will write the coverage for the Plan, and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to Metropolitan. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco. This joint insurance arrangement does not apply to coverage for Retired Hourly Employees who were employed at Michigan Operations.

## Section 13. Your Rights

You have certain rights under the Retiree Optional Life Insurance Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

## Section 14. Ending Coverage

Your Retiree Optional Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date you no longer meet the eligibility requirements of the Plan;
- The end of the period for which your last premium has been paid; or
- The date you elect to terminate your coverage.

## Section 15. Porting Coverage to a Term Life Policy

When your retiree optional life insurance coverage under the Plan ends, your coverage may be continued on a direct bill basis with MetLife through the portability feature. This feature allows retirees to continue their Group Term Life coverage under a separate group policy without providing proof of insurability. Rates for this coverage are different from the retiree plan rates and the retiree must port a minimum of \$20,000 to exercise this option. You have 31 days from the date your coverage ends to apply for Portability. You may continue the same or lesser amount of coverage. For Michigan residents, there is a limit to the amount of coverage you are allowed to port. If you are unable to continue your entire life insurance amount through Portability, you may apply for Conversion of the balance. Contact MetLife at 1-866-492-6983 if you have any questions or want to apply for Portability.



## Section 16. Converting to an Individual Policy

If your retiree optional life insurance coverage under the Plan ends because you no longer meet the eligibility requirements of the Plan or you elect to terminate your coverage, you may convert the coverage you lost to an individual non-term policy through MetLife. The maximum amount of insurance that may be elected for the new policy is the amount of life insurance in effect for you under the on the date:

- you no longer meet the eligibility requirements under the retiree optional life insurance provisions provided under the MetLife group policy ;or
- the date you elect to terminate your coverage .

If your coverage under the MetLife group policy ends because Dow cancels its Group Policy with MetLife or Dow amends the eligibility requirements of the Plan to exclude your work group from eligibility for retiree optional life coverage, you may convert to an individual non-term policy through MetLife; provided you were insured under the retiree optional life provisions of the MetLife group policy for at least 5 years immediately prior to losing group coverage. The amount you may convert will be limited to the lesser of:

- the amount of life insurance that ends under the MetLife group policy less the amount of life insurance for which you become eligible under any other group policy within 31 days after the date your insurance ends under the MetLife group policy; or
- \$2,000.

You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or decreases. Contact the Dow Retiree Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-877- 275-6387 to file your form, or to obtain further information. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

## Chapter Three: Retiree Dependent Life Insurance Plan

As of January 1, 2005, the following plans were merged into the Retiree Dependent Life Insurance Plan: The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program's Retiree Dependent Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Retiree Dependent Life Insurance Plan; and ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Retiree Dependent Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Dependent Life Insurance Plan. Effective January 1, 2008, the Midland and Ludington Hourly Pre-65 Retiree Dependent Life Insurance Plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Dependent Life Insurance Plan for those who retired on or after January 1, 2008.

The Retiree Dependent Life Insurance Plan is referred to in Chapter Three as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 applies to post January 22, 2007 acquisition new hires

Section 3 through to the remaining sections of Chapter Three apply to all persons eligible for coverage under the Plan

## Section 1. Retired Salaried Employees and Certain Retired Hourly Employees

### Eligibility

Section 1 of Chapter Two of this SPD does **NOT** apply to:

- Retirees who were hired on or after January 1, 2008 (These Retirees are not eligible for coverage.);
- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;
- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Hourly Employees who retired from Michigan Operations prior to January 1, 2008;
- Texas Hourly Employees who retired prior to October 1, 1989; and
- Union Carbide Employees who retired prior to February 7, 2003.
- Dow AgroSciences Employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who, on the day preceding Retirement, was enrolled as an active Employee in a Dependent Life Insurance Plan sponsored by a Participating Employer, you are eligible for continued coverage for your Spouse of Record/Domestic Partner of Record and/or Dependent children who were covered under the active employee plan. In order to be a "Retiree", you must have been at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated. As of January 1, 2008, Agrigenetics Inc. d/b/a Mycogen Seeds became a Participating Employer. Service prior to January 1, 2001 with Agrigenetics Inc. d/b/a Mycogen Seeds is not recognized by the Program.

If your Spouse of Record/Domestic Partner of Record is eligible to participate in any dependent life insurance plan sponsored by a Participating Employer, either as a Dow Employee or Retiree, each of you may insure the other but only one of you may enroll for coverage for your dependent children. Double coverage is not allowed.

See Section 3 entitled *Dependent Eligibility* for who may be covered as a Dependent.

### Enrollment

If you were previously enrolled for Dependent Life Insurance, complete the Dependent Life Insurance section of the Retiree enrollment form. Your continuation coverage will be effective immediately. You must complete the enrollment form and return it to the U.S. Benefits Center within 31 days of your Retirement. **Failure to return the form within 31 days of your Retirement will result in waiver of coverage.**

If you waive coverage when you Retire, you waive all future rights to participate in the Retiree Dependent Life Insurance Plan.

### Dependent Coverage Amounts for Eligible Salaried and Hourly Retirees

**Spouse of Record/Domestic Partner of Record:** If your Spouse of Record/Domestic Partner of Record was covered under your Dependent Life Insurance Plan on the day preceding your Retirement, you may continue coverage equal to \$5,000.

**Dependent Children:** For any Dependent child who was covered under your Dependent Life Insurance Plan on the day preceding your Retirement, you may continue coverage equal to \$1,000, as long as he or she continues to meet eligibility requirements.

### Cost

You pay the premium for coverage. Your premium for Retiree Dependent Life Insurance is based on the option that you select. The cost for coverage is subject to change, according to Plan experience. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan (DEPP) or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

## Section 2. General Eligibility Information

If you do not meet the above eligibility criteria, check the Plan Document for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

## Section 3. Dependent Eligibility

You may purchase coverage on the life of your Spouse of Record/Domestic Partner of Record and/or the life of your Dependent child or Dependent children. To be eligible, a Dependent child (age 15 days through 18 years) must be principally supported by you and may be:

- A birth or legally-adopted child; or
- A stepchild/Domestic Partner child permanently residing in your household; or
- A child for whom you or your Spouse/Domestic Partner is the legal guardian, supported solely by you and permanently residing in your household; or

A Dependent child may continue to be eligible for coverage past age 18 if the child continues to meet all of the requirements and in addition, is incapable of self-sustaining employment because of a mental or physical handicap as defined by applicable law. Proof of such handicap must be sent to MetLife within 31 days after the date the child attains the age limit and at reasonable intervals after such date.

A Dependent child may also continue to be eligible for coverage past age 18 if the child continues meets all of the requirements and in addition, is a full time student. Coverage ends for Full Time students at age 25.

The Plan defines a "Full-Time Student" as a student who, during each of 5 calendar months during the applicable Plan Year, is a full-time student at an educational institution. The determination as to whether a student is full-time is based upon the number of hours or courses which is considered to be full-time by the educational institution.

Generally, a child is NOT a Dependent if he or she is:

- Already covered as a dependent of another Dow Employee or Dow Retiree. All covered children in a family must be enrolled by the same parent.
- Married or ever was married.
- Employed full-time.
- Age 25 years or older, unless the dependent relationship continues because of a physical or mental handicapping condition. Contact your Retiree Service Center office if this applies to you.

A Dependent Spouse, Domestic Partner, or child is not eligible if he or she resides outside the United States and Canada, or is in the military.

## Section 4. Beneficiary Designation

You are the beneficiary of the Retiree Dependent Life Insurance Plan. This cannot be changed. The benefits will be paid to you if you survive the Dependent.

If you do not survive your Dependent, MetLife may pay one or more of the following who survive you:

- Your Spouse or Domestic Partner; or
- Your children; or
- Your parent(s); or
- Your sibling(s).

If you do not survive your Dependent, instead of making payment to any of the above, MetLife may pay your estate. Any payment made by MetLife in good faith will discharge the Plan's liability to the extent of such payment.

### **Section 5.           Benefit Payment**

In the event of the death of your Spouse of Record/Domestic Partner of Record or Dependent child, contact the Retiree Service Center and present a certified copy of your death certificate of your Dependent. See *Claims Procedures Appendix* of this SPD. Your benefit will be paid in a lump sum. Contact the Retiree Service Center at 1-800-344-0661.

### **Section 6.           Funding**

Retirees pay the entire premium for coverage. The benefits under the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under this insurance coverage in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any future dividends declared for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

### **Section 7.           Joint Insurance Arrangement**

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that has been approved by the U.S. Department of Labor in DOL Opinion Letter 97-24A. Under this arrangement, MetLife has or will write the coverage for the Plan, and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to MetLife. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco. This joint insurance arrangement does not apply to coverage for Retired Hourly Employees who were employed at Michigan Operations.

### **Section 8.           Your Rights**

You have certain rights under the Retiree Dependent Insurance Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

### **Section 9.           End of Coverage**

Your Retiree Dependent Life Insurance coverage ends on the earlier of:

- The date the Group Policy ends;
- The date 31 days following the date of your death;
- The date 31 days following the date you no longer meet the eligibility requirements of the Plan;
- The date 31 days following the date your Spouse of Record/Domestic Partner of Record or Dependent child no longer meet the eligibility requirements of the Plan;
- The end of the period for which your last premium has been paid; or
- The date you elect to terminate your Spouse of Record/Domestic Partner of Record or Dependent child coverage.

If You choose to cancel your coverage you must complete a new enrollment form and return it to the Plan. If you cancel coverage, you may not re-enroll in the future.

If your Spouse of Record/Domestic Partner of Record or Dependent child no longer meets the eligibility requirements of the Plan, you must notify the Plan in order to receive a reduction in your monthly premium.

#### **Section 10. Converting to an Individual Policy**

If your Spouse of Record/Domestic Partner of Record or Dependent child loses coverage because:

- of your death; or
- he or she no longer meets eligibility requirements;
- you have elected to terminate your Spouse of Record/Domestic Partner of Record or Dependent child coverage;

their coverage may be converted to an individual non-term policy through MetLife, Inc. without having to prove insurability. (In the case of minor children, the parent or legal guardian may act on their behalf.)

If your Spouse of Record/Domestic Partner of Record or Dependent child loses coverage under the Retiree Dependent Life Insurance Plan because Dow has cancelled the dependent life coverage under the group policy with MetLife, or Dow has amended the eligibility requirements of the Plan to exclude you or your dependents from eligibility under the Plan, you may convert coverage to an individual non-term MetLife policy for your Dependent; provided you have been enrolled in coverage for your Dependent under the Retiree Dependent Life Insurance Plan for at least 5 years immediately prior to the date the MetLife group coverage for our Dependent ended. The amount that may be converted is limited to the lesser of:

- the amount of Life Insurance for the Dependent that ends under the MetLife group policy less the amount of life insurance for Dependents for which you become eligible under any group policy within 31 days after the date insurance ends under the Retiree Dependent Life Insurance provisions of the MetLife group policy; or
- \$2,000.

A conversion application must be filed and the required premium payment made to MetLife within 31 days of loss of coverage. Your Spouse of Record/Domestic Partner of Record or Dependent child's guardian should contact the Dow Retiree Service Center to obtain a form for converting the coverage. Once the form has been obtained, he or she should contact the MetLife Conversion Group at 1-877- 275-6387. You are responsible for initiating the conversion process within the appropriate timeframes.

The cost of this individual coverage will probably be significantly higher than the group plan. Although not required, providing proof of insurability may help reduce the cost.

#### **Section 11. Filing a Claim**

See *Claims Procedures Appendix* of this SPD.

#### **Section 12. Appealing a Denial of Claim**

See *Claims Procedures Appendix* of this SPD.

#### **Section 13. Fraud Against the Plan**

Any Plan Participant who intentionally misrepresents information to the Plan or knowingly misinforms, deceives or misleads the Plan or knowingly withholds relevant information may have his/her coverage cancelled retroactively to the date deemed appropriate by the Plan Administrator. Further, such Plan Participant may be required to reimburse the Plan for Claims paid by the Plan. The employer may determine that termination of employment is appropriate and the employer and/or the Plan may choose to pursue civil and/or criminal action. The Plan Administrator may determine that the Participant is no longer eligible for coverage under the Plan because of his or her actions.

## Section 14. Grievance Procedure

If you want to appeal the denial of a claim for benefits, see *Claims Procedures Appendix* of this SPD.

If you feel that anyone is discriminating against you for exercising your rights under these Plans, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under these Plans, or if you feel that the Plan Administrator has denied you any right you feel that you have under these Plans, you must notify the Plan Administrator (listed in the “ERISA Information” section of this SPD) in writing within 90 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong (if it was the Plan which did the wrong), or will make a recommendation to the Plan Sponsor or Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator’s decision. You must submit written notice of your appeal to the Plan.

Administrator within 60 days of receipt of the Plan Administrator’s decision. Your appeal will be reviewed and you will receive a written response within 60 days, unless special circumstances require an extension of time. (The Plan Administrator will give you written notice and reason for the extension.) In no event should the decision take longer than 120 days after receipt of your appeal. If you are not satisfied with the Plan Administrator’s response to your appeal, you may file suit in court. **If you file a lawsuit, you must do so within 120 days from the date of the Plan Administrator’s written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

## Section 15. Your Legal Rights

When you are a Participant in the Retiree Company-Paid, Retiree Optional or Retiree Dependent Life Insurance Plans, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). This law requires that all Plan Participants must be able to:

- Examine, without charge, at the Plan Administrator’s office and at other specified locations, the Plan Documents and the latest annual reports filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Plan Administrator, copies of the Plan Documents and Summary Plan Descriptions. The Administrator may charge a reasonable fee for the copies.
- Receive a summary of each Plan’s annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

In addition to creating rights for you and all other Plan Participants, ERISA imposes duties on the people who are responsible for operating an employee benefit plan. The people who operate the Plans, called “fiduciaries” of the Plans, have a duty to act prudently and in the interest of you and other Plan Participants and beneficiaries.

No one, including your employer or any other person, may discharge you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit, or from exercising your rights under ERISA. If you have a claim for benefits that is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the legal rights described above. For instance, if you request materials from one of the Plans and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you must file a written appeal within the time period specified in the Plan’s Claims Procedures. Failure to comply with the Plan’s claims procedures may significantly jeopardize your rights to benefits. If you are not satisfied with the final appellate decision, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Claims Administrator’s or the Plan Administrator’s final written decision (or the deadline the Claims Administrator or Plan Administrator had to notify you of a decision). Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.** The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If it should happen that plan fiduciaries misuse one of the Plan's money, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the alleged misuse. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you feel that anyone is discriminating against you for exercising your rights under this benefit plan, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under any of the Plans, you must notify the Plan Administrator listed in the "ERISA Information" section of this SPD in writing within 120 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong, if it was the Plan which did the wrong, or will make a recommendation to the Plan Sponsor or Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator's decision. You must submit written notice of your appeal to the Plan Administrator within 60 days of receipt of the Plan Administrator's decision. Your appeal will be reviewed and you will receive a written response within 60 days. If you are not satisfied with the Plan Administrator's response to your appeal, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Plan Administrator's written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you have any questions about the Program, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

#### **Section 16. Welfare Benefits**

Welfare benefits, such as the Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan and Retiree Dependent Life Insurance Plan, are not required to be guaranteed by a government agency.

#### **Section 17. Amendment, Modification, or Termination of Plan**

The President, Chief Financial Officer or the Corporate Vice President of Human Resources of the Company, each acting individually, or his or her respective delegate, may amend, modify or terminate the Plan, including, without limitation, the Summary Plan Description, which is incorporated herein by reference. Such amendments or modifications may not result in Company expenditures in excess of \$20 million per year. Amendments that result in Company expenditures in excess of \$20 million per year must be approved by the Board of Directors. Certain modifications or amendments of the Plan which the Company deems necessary or appropriate to conform the Plan to, or satisfy the conditions of, any law, governmental regulation or ruling, and to permit the Plan to meet the requirements of the Code may be made retroactively if necessary. Upon termination or discontinuance of the Plan, all elections and reductions in compensation related to the Plan shall terminate.

**Procedure for Amendment, Modification, or Termination of Plan.** Any amendment of, modification to, or termination of the Plan, must be reviewed by an attorney in the Company's Legal Department and the Plan Administrator before it is adopted by the Corporate Vice President of Human Resources or his or her delegate.

#### **Section 18. Disposition of Plan Assets if the Plans are Terminated**

The Company may terminate any of the Plans at any time at its sole discretion. If the Company terminates a Plan, the assets of the Plan, if any, shall not be used by the Company, but may be used in any of the following ways:

- 1) to provide benefits for Participants in accordance with the Plan, and/or
- 2) to pay third parties to provide such benefits, and/or
- 3) to pay expenses of the Plan and/or the Trust holding the Plan's assets, and/or
- 4) to provide cash for Participants, as long as the cash is not provided disproportionately to officers, shareholders, or Highly Compensated Employees.

#### **Section 19            Class Action Lawsuits**

Legal actions against the Plan must be filed in federal court. Class action lawsuits must be filed either 1) in the jurisdiction in which the Plan is administered (Michigan) or 2) the jurisdiction where the largest number of putative members of the class action reside. This provision does not waive the requirement to exhaust administrative remedies before the filing of a lawsuit.

#### **Section 20.            For More Information**

If you have questions, contact the Retiree Service Center, The Dow Chemical Company, Employee Development Center, Midland, Michigan 48674; Phone (800) 344-0661.

#### **Section 21.            Important Note**

This booklet is the summary plan description (SPD) for The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan, The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Optional Life Insurance Plan, and The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Dependent Life Insurance Plan. However, it is not all-inclusive and it is not intended to take the place of each Plan's legal documents. In case of conflict between this SPD and the applicable Plan Document, the applicable Plan Document will govern.

The Plan Administrator and the Claims Administrator are Plan fiduciaries. The Plan Administrator has the full and complete discretion to interpret and construe all of the provisions of the Plans for all purposes except to make Claims for Plan Benefits determinations, which discretion is reserved for the Claims Administrator, and such interpretation shall be final, conclusive and binding. The Plan Administrator also has the full and complete discretion to make findings of fact for all purposes except to make Claims for Plan Benefits determinations, which discretion is reserved for the Claims Administrator, and the Plan Administrator has the full authority to apply those findings of fact to the provisions of the Plans. All findings of fact made by the Plan Administrators shall be final, conclusive and binding. The Plan Administrator has the full and complete discretion to decide whether or not it is making a Claims for Plan Benefits determination. For a detailed description of the Plan Administrator's authority, see the applicable Plan Document.

For the purpose of making Claims for Plan Benefits determinations, the Claims Administrator has the full and complete discretion to interpret and construe the provisions of the Plans, and such interpretation shall be final, conclusive and binding. For the purpose of making Claims for Plan Benefits determinations, the Claims Administrator also has the full and complete discretion to make findings of fact and to apply those findings of fact to the provisions of the Plans. All findings of fact made by the Claims Administrator shall be final, conclusive and binding. For a detailed description of the Claims Administrator's authority, see the applicable Plan Document.



## ERISA INFORMATION

**The Dow Chemical Company Group Life Insurance Program's  
Retiree Company-Paid Life Insurance Plan  
(A Welfare Benefit Plan)**

<b>Plan Sponsor:</b>	The Dow Chemical Company Employee Development Center Midland, MI 48674 1-877-623-8079
<b>Employer Identification Number:</b>	38-1285128
<b>Plan Number:</b>	507
<b>Group Policy Number:</b>	11700-G
<b>Plan Administrator and Fiduciary:</b>	The Dow Chemical Company Employee Development Center Midland, MI 48674 1-877-623-8079
<b>To Apply For A Benefit Contact:</b>	See Claims Procedures Appendix to this SPD
<b>To Appeal A Benefit Determination, File with:</b>	See Claims Procedures Appendix to this SPD
<b>To Serve Legal Process, File With:</b>	General Counsel The Dow Chemical Company c/o HR Legal Department 2030 Dow Center Midland, MI 48674
<b>Claims Administrator and Fiduciary:</b>	Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company  Metropolitan Life Insurance Company Group Life Claims Oneida County Industrial Park Utica, NY 13504-6115
<b>Plan Year:</b>	The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.
<b>Funding:</b>	Except for Plan Option I, the Participating Employers pay the entire premium for the Plan. For Plan Option I, the Retiree and the Participating Employer share the premiums. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plans may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plans, as the Plans may be amended from time to time, as well as to pay for any expenses of the Plans. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorney's fees, third party administrator fees, and other administrative expenses.

**ERISA Information**  
**The Dow Chemical Company**  
**Employee-Paid and Dependent Life Insurance Program's**  
**Retiree Optional Life Insurance Plan**  
**(Welfare Benefit Plans)**

<b>Plan Sponsor:</b>	The Dow Chemical Company Employee Development Center Midland, MI 48674 1-877-623-8079
<b>Employer Identification Number:</b>	38-1285128
<b>Plan Number:</b>	515
<b>Group Policy Number:</b>	11700-G
<b>Plan Administrator and Fiduciary:</b>	The Dow Chemical Company Employee Development Center Midland, MI 48674 1-877-623-8079
<b>To Apply For A Benefit:</b>	See Claims Procedures Appendix to this SPD
<b>To Appeal A Benefit Determination:</b>	See Claims Procedures Appendix to this SPD
<b>To Serve Legal Process, File With:</b>	General Counsel The Dow Chemical Company c/o HR Legal Department 2030 Dow Center Midland, MI 48674
<b>Claims Administrator and Fiduciary:</b>	Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company.  Metropolitan Life Insurance Company Group Life Claims Oneida County Industrial Park Utica, NY 13504-6115
<b>Plan Year:</b>	The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.
<b>Funding:</b>	Retirees pay the entire premium for the Plan. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plan may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plan, as the Plan may be amended from time to time, as well as to pay for any expenses of the Plan. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorneys fees, third party administrator fees, and other administrative expenses.

**Joint Insurance  
Arrangement:**

Dorinco and MetLife have entered an arrangement approved by the U.S. Department of Labor (DOL Advisory Opinion Letter 97-24A) in which if MetLife is insolvent, the entire life insurance benefit will be paid by Dorinco. If Dorinco is insolvent, the entire life insurance benefit will be paid by Metropolitan.

Dorinco's address is:  
Dorinco Reinsurance Company  
1320 Waldo Avenue  
Dorinco Building  
Midland, MI 48642

**ERISA Information**  
**The Dow Chemical Company**  
**Employee-Paid and Dependent Life Insurance Program's**  
**Retiree Dependent Life Insurance Plan**  
**(Welfare Benefit Plans)**

**Plan Sponsor:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-800-336-4456

**Employer Identification Number:** 38-1285128

**Plan Number:** 515

**Group Policy Number:** 11700-G

**Plan Administrator and Fiduciary:** The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674  
1-877-623-8079

**To Apply For A Benefit:** See Claims Procedures Appendix to this SPD

**To Appeal A Benefit Determination:** See Claims Procedures Appendix to this SPD

**To Serve Legal Process, File With:** General Counsel  
The Dow Chemical Company  
c/o HR Legal Department  
2030 Dow Center  
Midland, MI 48674

**Claims Administrator and Fiduciary:** Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company.  
Metropolitan Life Insurance Company  
Group Life Claims  
Oneida County Industrial Park  
Utica, NY 13504-6115

**Plan Year:** The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.

**Funding:** Retirees pay the entire premium for the Plan. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plan may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plan, as the Plan may be amended from time to time, as well as to pay for any expenses of the Plan. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorneys fees, third party administrator fees, and other administrative expenses.

**Joint Insurance  
Arrangement:**

Dorinco and MetLife have entered an arrangement approved by the U.S. Department of Labor (DOL Advisory Opinion Letter 97-24A) in which if MetLife is insolvent, the entire life insurance benefit will be paid by Dorinco. If Dorinco is insolvent, the entire life insurance benefit will be paid by Metropolitan.

Dorinco's address is:  
Dorinco Reinsurance Company  
1320 Waldo Avenue  
Dorinco Building  
Midland, MI 48642

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## CLAIMS PROCEDURES APPENDIX

### Summary Plan Descriptions of the life insurance plans sponsored by The Dow Chemical Company

#### ***You Must File a Claim in Accordance with These Claims Procedures***

A "Claim" is a written request by a claimant for a *Plan benefit* or an *Eligibility Determination*. There are two kinds of Claims:

*A Claim for Plan Benefits* is a request for benefits covered under the Plan.

An *Eligibility Determination* is a kind of Claim. It is a request for a determination as to whether a claimant is eligible to be a Participant or covered Dependent under the Plan.

You must follow the claims procedures for either *CLAIMS FOR PLAN BENEFITS* or *CLAIMS FOR AN ELIGIBILITY DETERMINATION*, whichever applies to your situation. See applicable sections below entitled *CLAIMS FOR PLAN BENEFITS* and *CLAIMS FOR ELIGIBILITY DETERMINATIONS*.

#### **Who Will Decide Whether to Approve or Deny My Claim?**

The Dow Chemical Company will approve or deny a Claim for an Eligibility Determination. The initial determination is made by the Dow Benefit Center. If you appeal, the appellate decision is made by the North America Compensation & Benefits Leader.

MetLife will approve or deny a Claim for Plan Benefits. MetLife is the Claims Administrator for both the initial determination and (if there is an appeal), the appellate determination.

#### **An Authorized Representative May Act on Your Behalf**

An Authorized Representative may submit a Claim on behalf of a Plan Participant. The Plan will recognize a person as a Plan Participant's "Authorized Representative" if such person submits a notarized writing signed by the Participant stating that the Authorized Representative is authorized to act on behalf of such Participant. A court order stating that a person is authorized to submit Claims on behalf of a Participant will also be recognized by the Plan.

#### **Authority of the Administrators and Your Rights Under ERISA**

The Administrators have the full, complete, and final discretion to interpret the provisions of the Plan and to make findings of fact in order to carry out their respective Claims decision-making responsibilities.

Interpretations and claims decisions by the Administrators are final and binding on Participants. If you are not satisfied with an Administrator's final appellate decision, you may file a civil action against the Plan under s. 502 of the Employee Retirement Income Security Act (ERISA) in a federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Administrator's final written decision. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

#### ***CLAIMS FOR PLAN BENEFITS***

##### ***Information Required In Order to Be a "Claim":***

For Claims that are requests for Plan benefits, the claimant must complete a MetLife claims form. Call the Retiree Service Center to obtain a form 1-800-344-0661. In addition, you must attach a certified death certificate (must be certified by the government authority, as exhibited by a "raised seal" on the certificate). You may request assistance from the U.S. Benefits Center (1-989-636-9556) if you need help completing the MetLife claims form.

Once you have completed the MetLife claims form, you must send it and the certified death certificate to:

U.S. Benefits Center  
The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.

The U.S. Benefits Center will review and sign your completed MetLife claims form and forward the form and death certificate to:

Metropolitan Life Insurance Company  
Group Life Claims  
Oneida Country Industrial Park  
Utica, NY 13504-6115

Attention: Claims Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.

#### **CLAIMS FOR DETERMINATION OF ELIGIBILITY**

##### ***Information Required In Order to Be a "Claim":***

For Claims that are requests for *Eligibility Determinations*, the Claims must be in writing and contain the following information:

- State the name of the Employee, and also the name of the person (Employee, Spouse of Record/Domestic Partner of Record, Dependent child, as applicable) for whom the *Eligibility Determination* is being requested
- Name the benefit plan for which the *Eligibility Determination* is being requested
- If the *Eligibility Determination* is for the Employee's Dependent, describe the relationship for whom an *Eligibility Determination* is being requested to the Employee (eg. Spouse of Record/Domestic Partner of Record, Dependent child, etc.)
- Provide documentation of such relationship (eg. marriage certificate/statement of Domestic Partnership, birth certificate, etc)

*Claims for Eligibility Determinations* must be filed with:

U.S. Benefits Center  
The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.  
(Eligibility Determination)

#### **INITIAL DETERMINATIONS**

If you submit a *Claim for Plan Benefits* or a *Claim for Eligibility Determination* to the applicable Administrator, the applicable Administrator will review your Claim and you notify you of its decision to approve or deny your Claim. Such notification will be provided to you in writing within a reasonable period, not to exceed 90 days of the date you submitted your claim; except that under special circumstances, the Administrator may have up to an additional 90 days to provide you such written notification. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 90 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the applicable Administrator denies the Claim, the written notification of the Claims decision will state the reason(s) why the Claim was denied and refer to the pertinent Plan provision(s). If the Claim was denied because you did not file a complete Claim or because the Administrator needed additional information, the Claims decision will state that as the reason for denying the Claim and will explain why such information was necessary.

**APPEALING THE INITIAL DETERMINATION**

If the applicable Administrator has denied your *Claim for Plan Benefits* or *Claim for Eligibility Determination*, you may appeal the decision. If you appeal the Administrator's decision, you must do so in writing within 60 days of receipt of the Administrator's determination, assuming that there are no extenuating circumstances, as determined by the applicable Administrator. Your written appeal must include the following information:

- Name of Employee
- Name of Dependent or beneficiary, if the Dependent or beneficiary is the person who is appealing the Administrator's decision
- Name of the benefit Plan
- Reference to the Initial Determination
- Explain reason why you are appealing the Initial Determination

Send appeals of *Eligibility Determinations* to:

North America Compensation & Benefits Leader  
The Dow Chemical Company  
Employee Development Center  
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries. (Appeal of Eligibility Determination)

Send appeals of benefit denials to:

Metropolitan Life Insurance Company  
Group Life Claims  
Oneida County Industrial Park  
Utica, NY 13504-6115

Attention: Claims Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries. (Appellate Review)

You may submit any additional information to the applicable Administrator when you submit your request for appeal. You may also request that the Administrator provide you copies of documents, records and other information that is relevant to your Claim, as determined by the applicable Administrator under applicable federal regulations. Your request must be in writing. Such information will be provided at no cost to you.

After the applicable Administrator receives your written request to appeal the initial determination, the Administrator will review your Claim. Deference will not be given to the initial adverse decision, and the appellate reviewer will look at the Claim anew. The person who will review your appeal will not be the same person as the person who made the initial decision to deny the Claim. In addition, the person who is reviewing the appeal will not be a subordinate who reports to the person who made the initial decision to deny the Claim. The Administrator will notify you in writing of its final decision. Such notification will be provided within a reasonable period, not to exceed 60 days of the written request for appellate review, except that under special circumstances, the Administrator may have up to an additional 60 days to provide written notification of the final decision. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 60 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the Administrator determines that it does not have sufficient information to make a decision on the Claim prior to the expiration of the initial 60 day period, it will notify you. It will describe any additional material or information necessary to submit to the Plan, and provide you with the deadline for submitting such information. The initial 60 day time period for the Administrator to make a final written decision, plus the 60 day extension period (if applicable) are tolled from the date the notification of insufficiency is sent to you until the date on which it receives your response. ("Tolled" means the "clock or time is stopped or suspended". In other words, the deadline for the Administrator to make its decision is "put on hold" until it receives the requested information). The tolling period ends when the Administrator receives your response, regardless of the adequacy of your response.

If the Administrator has determined that its final decision is to deny your Claim, the written notification of the decision will state the reason(s) for the denial and refer to the pertinent Plan provision(s).



## DEFINITIONS APPENDIX

See Plan Document for additional definitions. A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

**"Actively at Work" or "Active Work"** means that you are performing all of the usual and customary duties of your job with the Participating Employer on a Full Time or Less-Than Full Time basis. This must be done at:

- a. the Participating Employer's place of business; or;
- b. an alternate place approved by the Participating Employer; or
- c. a place to which the Participating Employer's business requires you to travel.

You will be deemed to be Actively at Work during weekends or Participating Employer approved vacations, holidays or business closures if you were Actively at Work on the last scheduled work day preceding such time off.

**"Administrator"** means either the Plan Administrator or the Claims Administrator.

**"Bargained-for" or "Hourly"** individual means an individual who is represented by a collective bargaining unit that is recognized by the Company or Participating Employer.

**"Claim"** means a request by a claimant for a plan benefit or an Eligibility Determination that contains at a minimum, the information described in the Claims Procedures Appendix of the applicable SPD.

**"Claim for an Eligibility Determination"** means a Claim requesting a determination as to whether a claimant is eligible to be a Participant under a Plan.

**"Claim for a Plan Benefit"** means a Claim requesting that the Plan pay for benefits covered under a Plan.

**"Claims Administrator"** means Metropolitan Life Insurance Company with whom the Company has contracted to perform certain services under the Program.

**"Code"** means the Internal Revenue code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

**"Company"** means The Dow Chemical Company, a corporation organized under the laws of Delaware.

**"Domestic Partner"** means a person who is a member of a Domestic Partnership.

**"Domestic Partnership"** means two people claiming to be "domestic partners" who meet all of the following requirements of paragraph A, or the requirements of paragraph B:

- A.
  1. the two people must have lived together for at least twelve (12) consecutive months immediately prior to receiving coverage for benefits under the Plan, and
  2. the two people are not Married to other persons either now, or at any time during the twelve month period, and
  3. during the twelve month period, and now, the two people have been and are each other's sole domestic partner in a committed relationship similar to a legal Marriage relationship and with the intent to remain in the relationship indefinitely, and
  4. each of the two people must be legally competent and able to enter into a contract, and
  5. the two people are not related to each other in a way which would prohibit legal Marriage between opposite sex individuals, and
  6. in entering the relationship with each other, neither of the two people are acting fraudulently or under duress, and
  7. during the twelve month period and now, the two people have been and are financially interdependent with each other, and
  8. each of the two people have signed a statement acceptable to the Plan Administrator and have provided it to the Plan Administrator.

## B.

1. Evidence satisfactory to the Plan Administrator is provided that the two people are registered as domestic partners, or partners in a civil union in a state or municipality or country that legally recognizes such domestic partnerships or civil unions, and
2. each of the two people have signed a statement acceptable to the Plan Administrator and have provided it to the Plan Administrator.

**"Dow"** means a Participating Employer or collectively, to the Participating Employers, as determined by the context of the sentence in which it is used, as such is interpreted by the Plan Administrator or his delegee.

**"Employee"** means a person who:

- a. is employed by a Participating Employer to perform personal services in an employer-employee relationship which is subject to taxation under the Federal Insurance Contribution Act or similar federal statute; and
- b. receives payment for services performed for the Participating Employer directly from the Company's U.S. Payroll Department, or another Participating Employer's U.S. Payroll Department; and
- c. is either a Salaried individual who is classified by the Participating Employer as having "regular full-time status" or "less-than-full-time status", or a Bargained-for individual who is classified by the Participating Employer as having "regular full-time active status", and
- d. if Localized, is Localized in the U.S., and
- e. if on an international assignment, is either a U.S. citizen or Localized in the U.S..

The definition of "Employee" does not include an individual who performs services for the benefit of a Participating Employer if his compensation is paid by an entity or source other than the Company's U.S. Payroll Department or another Participating Employer's U.S. Payroll Department. Further, the definition of "Employee" does not include any individual who is characterized by the Participating Employer as an independent contractor, contingent worker, consultant, contractor, or similar term. These individuals are not "Employees" (with a capital "E") for purposes of the Plan even if such an individual is determined by a court or regulatory agency to be a "common law employee" of a Participating Employer.

**"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

**"Full-Time"** Employee means an Employee who has been classified by a Participating Employer as having "full-time" status.

**"Hourly"** Employee means an Employee who is represented by a collective bargaining unit that is recognized by the Company or other Participating Employer.

**"Less-Than-Full-Time Employee"** means an Employee who has been classified by a Participating Employer as having "less-than-full-time status".

**"Localized"** means that a Participating Employer has made a determination that an Employee is permanently relocated to a particular country, and the Employee has accepted such determination. For example, a Malaysian national is "Localized" to the U.S. when a Participating Employer has determined that such Employee is permanently relocated to the U.S., and such Employee has accepted such determination.

**"Married" or "Marriage"** means a legally valid marriage between a man and a woman recognized by the state in which the man and the woman reside.

**"Participating Employer"** means the Company or any other corporation or business entity the Company authorizes to participate in the Program with respect to its Employees.

**"Plan"** means either the Retiree Company-Paid Life Insurance Plan (for Salaried Retirees and Retirees of Certain Hourly Groups), which is a component of The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507); or the Retiree Optional Life Insurance Plan or the Retiree Dependent Life Insurance Plan, which are components of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515); whichever the case may be.

**"Plan Administrator"** means the Company or such person or committee as may be appointed from time to time by the Company to serve at its pleasure.

**"Plan Document"** means either the plan document for The Dow Chemical Company Group Life Insurance Program or The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program, whichever the case may be.

**"Program"** means either The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507) or The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515), whichever the case may be.

**"Program Year"** means the 12-consecutive-month period ending each December 31.

**"Regular" Employee**

A "regular" Employee is an Employee who is classified by the Employer as "regular."

**"Retire" or "Retirement"** means when an active Employee who is age 50 or older with 10 or more years of Service terminates employment with a Participating Employer who is also a "Retiree".

**"Retiree"** means an Employee who is age 50 or older with 10 or more years of Service when his employment terminated with a Participating Employer and is eligible to receive a pension under the Dow Employees' Pension Plan and was a Participant in the Program on the day preceding Retirement. An Employee who is receiving, or has received a benefit, under the 1993 Special Separation Payment Plan who is 50 or older at the time he leaves active employment with Dow, regardless of years of Service, is also a "Retiree".

**"Retiree"** also means an Employee who is age 50 or older with 10 or more years of Service when his employment terminated with a Participating Employer, terminated employment with the Participating Employer on or after February 6, 2003, is eligible to receive a pension under the terms of the Union Carbide Employees' Pension Plan, and was a Participant in the Program on the day preceding termination of employment with the Participating Employer.

**"Retiree"** also means an Employee who was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan, terminated employment with Dow Chemical Canada Inc. on or after October 1, 2003 at age 50 or older with 10 or more years of Service, is eligible to receive a pension from the pension plan sponsored by Dow Chemical Canada Inc., and signed a waiver of all his rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between himself and The Dow Chemical Company.

**"Salaried"** means an individual who is not represented by a collective bargaining unit.

**"Service" means:**

With respect to a Retiree who is eligible to receive a pension from the Dow Employees' Pension Plan, "Service" means either "Eligibility Service" or "Credited Service" recognized under the Dow Employees' Pension Plan, whichever is greater. With respect to a Retiree who is eligible to receive a pension from the Union Carbide Employees' Pension Plan, "Service" means "Eligibility Service" or "Credited Service" recognized under the Union Carbide Employees' Pension Plan, whichever is greater.

**"Spouse"** means a person who is Married to the Employee.

**"SPD"** means the Summary Plan Description.

**THE DOW CHEMICAL COMPANY  
2003 NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN**

**1. Establishment and Purpose of the Plan.**

The Dow Chemical Company 2003 Non-Employee Directors' Stock Incentive Plan (the "Plan") is established upon the following terms and conditions. The purposes of the Plan are to advance the interests of The Dow Chemical Company (the "Company") through the attraction, motivation and retention of qualified non-employee Directors. The Plan will provide a means for non-employee Directors to increase their equity ownership of the Company consistent with the Company's guidelines for stock ownership by non-employee Directors. By increasing their ownership interest in the Company, the economic interests of the non-employee Directors will more closely align with those of all other stockholders of the Company. If approved by the stockholders, no additional grants will be made from the 1998 Non-Employee Directors' Stock Incentive Plan after the date of such approval.

**2. Definitions.**

**2.01 Award:** A grant of Options, Restricted Stock, and/or Deferred Stock to an Awardee.

**2.02 Awardee:** An Eligible Director to whom an Award is made.

**2.03 Award Agreement:** Each Award of Options, Restricted Stock or Deferred Stock shall be evidenced by an Option Agreement, a Restricted Stock Agreement or a Deferred Stock Agreement. Such Award Agreement shall conform to the provisions of the Plan and shall specify the Date of Grant, the Option Price for grants of Options, vesting provisions and any restrictions for grants of Restricted Stock or Deferred Stock.

**2.04 Basic Annual Award:** An Award granted to each Eligible Director once each year based upon the formulas described in Section 13.

**2.05 Board of Directors:** The Board of Directors of the Company.

**2.06 Change of Control:**

**Definition:** "Change in Control" shall be deemed to have occurred if:

- (a) any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, or
- (b) a majority of the members of the Board of Directors of the Company is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the directors before the date of the appointment or election, or
- (c) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of such corporation, or
- (d) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from Company that has a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the Company immediately before such acquisition or acquisitions, provided that the following asset transfers shall not result in a Change of Control: (i) a transfer of assets to a stockholder of Company in exchange for or with respect to its stock, (ii) a transfer to a corporation, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a transfer to a person, or more than one person acting as a group, that owns 50% or more of the stock of the Company or (iv) a transfer to an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in clause (iii).

This definition of "Change of Control" is intended to conform to the definition of a "change in ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined under Section 409A of the Internal Revenue Code pursuant to Internal Revenue Service Notice 2005-1 and any subsequent authority issued pursuant to Section 409A of the Internal

Revenue Code, and no corporate event shall be considered a Change of Control unless it meets such requirements.

- 2.07 **Common Stock:** The Common Stock of the Company, par value \$2.50 per share, or such other class or kind of share or other securities as may be applicable under Section 6.
- 2.08 **Company:** The Dow Chemical Company, a Delaware corporation, or any successor to substantially all its business.
- 2.09 **Date of Grant:** The date an Award is granted to an Eligible Director. The Date of Grant will be March 5 of each year during the life of the Plan and for any supplemental grant, on a date determined by the Board of Directors. If the New York Stock Exchange ("NYSE") is not open on such date, the Date of Grant will be the next subsequent day on which the NYSE is open.
- 2.10 **Deferred Stock:** Deferred Stock is Common Stock of the Company to be issued to an Awardee under the Plan in one or more installments beginning at such time in the future as the Committee on Directors and Governance shall determine. Prior to the issuance of Deferred Stock, the Company shall pay or accrue an amount equivalent to the dividends on that Deferred Stock from the date of grant. Awards of Deferred Stock shall be made pursuant to a Deferred Stock Agreement between the Company and each Awardee that may contain additional terms.
- 2.11 **Deferred Stock Agreement:** The written agreement between the Company and the Awardee for a grant of Deferred Stock.
- 2.12 **Eligible Director:** Any person who on the date of grant is a member of the Board of Directors of the Company and is not an employee of the Company or of any Subsidiary as defined in Section 2.20.
- 2.13 **Fair Market Value:** As applied to a specific date, the closing market price of Common Stock, as reported on the consolidated transaction reporting system for the NYSE on such date, or, if the Common Stock was not traded on such date, on the next preceding day on which the Common Stock was traded.
- 2.14 **Option:** Any option or options providing for the purchase of a stated number of whole, not fractional, shares of Common Stock pursuant to Section 5.
- 2.15 **Option Agreement:** The written agreement between the Company and Awardee for the grant of an Option.
- 2.16 **Option Price:** The price at which Common Stock of the Company may be purchased upon the exercise of an Option shall be the Fair Market Value on the Date of Grant.
- 2.17 **Plan:** The Dow Chemical Company 2003 Non-Employee Directors' Stock Incentive Plan.
- 2.18 **Restricted Stock:** Restricted Stock under the Plan is Common Stock of the Company restricted as to sale for such time, and/or under such conditions, as the Governance Committee shall determine. Prior to the lifting of the restrictions, the Awardee will nevertheless be entitled to receive dividends from and to vote the shares of Restricted Stock. Awards of Restricted Stock shall be made pursuant to a Restricted Stock Agreement between the Company and each Awardee that may contain additional terms.
- 2.19 **Restricted Stock Agreement:** The written agreement between the Company and the Awardee for a grant of Restricted Stock.
- 2.20 **Subsidiary:** Any business association (including a corporation or a partnership other than the Company) in an unbroken chain of such associations beginning with the Company if each of the associations other than the last association in the unbroken chain owns equity interests (including stock or partnership interests) possessing fifty (50) percent or more of the total combined voting power of all classes of equity interests in one or the other associations in such chain.
- 2.21 **Supplemental Grant:** A grant of Options, Restricted Stock, or Deferred Stock that is in addition to the Basic Annual Award and is granted to an Eligible Director as a result of that Eligible Director taking on additional responsibilities as a member of the Board of Directors of the Company.

### 3. **Stock Subject to the Plan.**

The total number of shares of Common Stock which may be awarded under the Plan is 1,500,000. If any shares subject to any Award granted hereunder are forfeited or such Award otherwise terminates without the issuance of such shares or of other consideration in lieu of such shares, the shares subject to such Award, to the extent of such termination or forfeiture, shall again be available for grant under the Plan during the term of the Plan.

4. **Duration of Plan.**

The Plan shall have a duration of ten (10) years commencing on January 1, 2003.

5. **Grants of Stock.**

5.01 **Frequency of Grants.** Basic Annual Awards shall be made on an annual basis on the Date of Grant as defined in Section 2.09. Supplemental Grants may be made at any time in the discretion of the Board of Directors. If the Plan is approved by the Company's stockholders, grants of Restricted Stock pursuant to Section 13(b) will be made as of March 5, 2003.

5.02 **Size of Grants.** The size of each Basic Annual Award shall be determined by the Governance Committee as described in Section 13. The size of any Supplemental Grant shall be determined by the Board of Directors.

5.03 **Individual Limits.** An annual aggregate limit of 25,000 shares (including Options, Restricted Stock, and Deferred Stock) is set for any individual Director, such limit including both the Basic Annual Award and any Supplemental Grant received during any given calendar year.

5.04 **Types of Grants.** Grants may consist of Options, Restricted Stock, or Deferred Stock or a combination of Options, Restricted Stock and Deferred Stock during any given calendar year.

5.05 **Terms of Grants.** Stock Options are non-qualified right-to-buy Options for the purchase of Common Stock of the Company. The term of each Option shall be ten (10) years from the Date of Grant. The Option Price shall be the Fair Market Value of Dow Common Stock on the date the Option is granted. Under no circumstances shall any Option vest in less than one year from the Date of Grant. Shares purchased upon exercise of an Option must be paid for in full at the time of exercise either in cash or with currently owned shares. Neither the Governance Committee nor the Board of Directors may reprice any Option that is "underwater." Restricted Stock is Common Stock of the Company restricted as to sale in such fashion as the Governance Committee shall determine. Prior to the lifting of the restrictions, the Awardee will be entitled to receive dividends from the Restricted Stock on the Company's stated dividend payment dates and to vote the shares of Restricted Stock. Lifting of restrictions will be accelerated in the event of a Change of Control as defined in Section 2.06. Deferred Stock is Common Stock of the Company to be issued to an Awardee under the Plan in one or more installments beginning at such time in the future as the Governance Committee shall determine. As specified in the Deferred Stock Agreement, on the date of issuance of the Deferred Stock, or as soon as administratively practicable thereafter, the Company shall pay an amount equivalent to the dividends on that Deferred Stock from the date of grant. Delivery of the Deferred Stock will be accelerated in the event of a Change in Control as defined in Section 2.06.

5.06 **Termination of Membership on the Board of Directors.** Notwithstanding the provisions of Section 5.05, an Option whose term has not yet expired that is held by an Awardee shall become fully vested and immediately exercisable upon such Awardee's death or retirement from the Board of Directors. Any such Options must be exercised (a) within five (5) years from such termination of Board membership or Change of Control or (b) within the original term of the Option, whichever time is less, or such Option shall thereafter automatically terminate. Options held by an Awardee whose membership on the Board of Directors terminates for reasons other than those described above, unless subject to the provisions of Section 8 of the Plan, shall expire within six (6) months from Board termination and are exercisable only to the extent they have vested, as provided for under Section 5.05, prior to expiration. Grants of Restricted Stock shall have their restrictions accelerated in the event of the Director's death or retirement from the Board of Directors. In such event, the Common Stock related to such grant shall be delivered to the retired Director or such Director's beneficiary as soon as administratively feasible after such event. Grants of Deferred Stock shall have their issuance accelerated in the event of the Director's death or retirement from the Board of Directors. In such event, the Common Stock related to such grant shall be delivered to the retired Director or such Director's beneficiary as soon as administratively feasible after such event.

6. **Adjustments upon Changes in Capitalization.**

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or any other change in corporate structure of the Company affecting Common Stock, or a sale by the Company of all or a substantial part of its assets, or any distribution to stockholders other than a cash dividend, the Board of Directors of the Company will make appropriate adjustment in the number and kind of shares authorized by the Plan, and any adjustments to outstanding awards as it deems appropriate. However, no fractional shares of Common Stock will be issued pursuant to any such adjustment, and the Fair Market Value of any fractional shares resulting from adjustments will be paid in cash to the Awardee.

7. **General Provisions.**

Each Award is normally made through a written Award Agreement between the Company and the Awardee. Nothing contained in the Plan, or in any Award granted pursuant to the Plan, shall confer upon any Awardee any right with respect to continuance as a Director.

8. **Forfeiture.**

All Options, Restricted Stock, and Deferred Stock granted to an Awardee shall automatically terminate and be null and void as of the date an Eligible Director's service on the Board of Directors terminates if the directorship is terminated as a result of any act of (a) fraud or intentional misrepresentation, or (b) embezzlement, misappropriation, or conversion of assets or opportunities of the Company or any Subsidiary.

9. **Non-Assignability.**

Awards may not be pledged, assigned, or transferred for any reason during the Awardee's lifetime, and any attempt to do so shall be void and the relevant Award shall be immediately forfeited.

10. **Beneficiary upon Awardee's Death.**

Notwithstanding the provisions of Section 9, an Awardee's Award shall be transferable at his or her death to the beneficiary designated by the Awardee on forms prescribed and filed with the Company. Upon the death of an Awardee, such beneficiary shall succeed to the rights of the Awardee. If no such designation of a beneficiary has been made, the Awardee's Award(s) shall succeed to his or her legal representative and shall be transferable by will or pursuant to the laws of descent and distribution.

11. **Plan Administration.**

The Plan is administered by the Governance Committee of the Board of Directors. The Committee shall have the authority to interpret the Plan and to provide for additional terms and conditions as may be reflected in the Award Agreements.

12. **Amendment and Termination of the Plan.**

The Board of Directors of the Company shall have the power to amend or terminate the Plan without further action of the stockholders, but no such amendment may: materially increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or any other change in corporate structure of the Company affecting the Common Stock, or a sale by the Company of all or a substantial part of its assets, or any distribution to stockholders other than a cash dividend); withdraw administration of the Plan from the Governance Committee of the Board of Directors; change the types of awards available under the Plan; extend the term of the Plan; constitute a "material revision" to the Plan requiring stockholder approval pursuant to the New York Stock Exchange Corporate Governance Listing Standards; or delete or limit the scope of the Plan provision prohibiting the repricing of Options that are "underwater."

The duration of the 2003 Plan shall be ten years. No additional grants will be made after December 31, 2012 unless the Board of Directors decides to terminate the Plan earlier or the stockholders of the Company approve an extension.

13. **Formulas for Basic Annual Awards of Stock Options, Deferred Stock and of Restricted Stock.**

Subject to the individual limitation set forth in Section 5.03, the Governance Committee shall from time to time establish the number of Stock Options, Deferred Stock and/or shares of Restricted Stock (or a formula for determining such), if any, to be granted to each eligible director as the Basic Annual Award under the Plan.

14. **Income Tax Status.**

The Company has been advised by its tax counsel that awards made under the Plan will give rise to the following tax events for U.S. citizens and residents under current U.S. federal income tax law:

- A. **Non-qualified Options.** The Awardee will not be subject to tax upon the grant of the Option, and the Company will not be entitled to a tax deduction by reason of such grant. If an Awardee exercises a Non-qualified Option, the difference between the Option Price and the Fair Market Value of the shares on the date of exercise will be treated as taxable compensation to the Awardee. The Company will be entitled to a tax deduction in the amount of and for the taxable year in which such amount is treated as compensation to the Awardee.
- B. **Awards of Restricted Stock.** Unless the Awardee makes an election under Section 83(b) of the Internal Revenue Code, Restricted Stock will not be taxable when issued, and the Company will not be entitled to a

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deduction at the time of issuance. Any dividends paid to the Awardee prior to the lifting of restrictions are taxable compensation income to the Awardee. When the restrictions are lifted, the Awardee will be treated as receiving taxable compensation in the amount of the excess of the then Fair Market Value over the amount, if any, paid by the Awardee for the shares.

- C. **Awards of Deferred Stock.** The Award of a right to receive stock at a future date will not have any immediate tax consequence. Any dividends paid to the Awardee prior to the issuance of shares are taxable compensation income to the Awardee. At the time shares of Common Stock are issued under any such Award, the Awardee will be treated as having received taxable compensation. The amount of that income will be the Fair Market Value of one share of Common Stock times the number of shares received. The Company will receive a federal income tax deduction for the same amount as is treated as taxable compensation to the Awardee.

**15. Effect of Internal Revenue Code Section 409A.**

To the extent that any Award under the Plan is or may be considered to involve a nonqualified deferred compensation plan or deferral subject to Section 409A of the Internal Revenue Code, the Award shall be interpreted, operated and administered in a manner consistent with the requirements of such Section.



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**THE DOW CHEMICAL COMPANY**

**CHANGE IN CONTROL EXECUTIVE SEVERANCE AGREEMENT – Tier 1**

This Agreement, dated as of \_\_\_\_\_, is entered into between The Dow Chemical Company, a corporation organized under the laws of the State of Delaware (“Dow” or the “Company”), and \_\_\_\_\_ (the “Employee”).

WHEREAS, the Board of Directors of the Company (the “Board”) recognizes that the possibility of an Involuntary Termination (as hereinafter defined) exists and that the occurrence of an Involuntary Termination can result in significant uncertainties inherent in such a situation; and

WHEREAS, the Company has had both informal and formal practices in this area in the past, and the Board has determined that it is in the best interest of the Company and its shareholders to have clarity over the obligations of the Company to the Employee as a result of an Involuntary Termination in the event of a Change In Control (as hereinafter defined).

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. TERM OF AGREEMENT. This Agreement shall commence as of November 2007 and shall continue in effect until the Employee leaves the employ of the Company for any reason or until the Employee becomes ineligible for this Change in Control Executive Severance Agreement as determined by the Compensation Committee of Dow’s Board of Directors. In the event that Employee continues as an active employee of the Company but ceases to be eligible for this severance plan as determined by the Compensation Committee, this Agreement shall become null and void and Employee shall then be eligible for Dow’s standard severance policy provided to other salaried employees.

2. DEFINITIONS.

a. ACCRUED COMPENSATION. For purposes of this Agreement, “Accrued Compensation” shall mean an amount which shall include all amounts earned or accrued through the “Termination Date” (as hereinafter defined) but not paid as of the Termination Date which shall consist of (i) base salary and (ii) earned eligible variable pay. The amount of earned eligible variable pay shall be determined by using the year to date results and prorated for the number of completed months of the program.

b. BASE AMOUNT. For purposes of this Agreement, “Base Amount” shall mean the Employee’s annual base salary at the rate in effect on the Termination Date, including all pre-tax salary reduction contributions or amounts of base salary that are deferred under any employee benefit or deferred compensation plans of the Company or any other agreement or arrangement.

c. BONUS AMOUNT. For purposes of this Agreement, “Bonus Amount” shall mean the Employee’s Base Amount times the Employee’s target percentage in effect on the Termination Date under Dow’s Performance Award Program.

d. CAUSE. For purposes of this Agreement, “Cause” shall mean the Employee’s:

(i) conviction of, or plea of *nolo contendere* to a felony or conviction of a misdemeanor involving moral turpitude (from which no further appeals have been or can be taken) or any similar criminal act in a jurisdiction outside the United States as determined in good faith by the Company;

(ii) material breach of Dow’s Values or Code of Business Conduct, as determined in good faith by the Company;

(iii) gross abdication of his or her duties as an employee or Executive of the Company (other than due to the Employee's partial or total incapacity due to illness), which conduct remains uncured by the Employee for a period of at least thirty (30) days following written notice thereof to the Employee by the Company, in each case as determined in good faith by the Company; or

(iv) misappropriation of Company assets, personal dishonesty or business conduct which causes material or potentially material financial or reputational harm for the Company, in each case as determined in good faith by the Company.

(v) breach of any non-compete agreement or confidentiality provisions, as determined in good faith by the Company.

e. COMPANY. For purposes of this Agreement, references to Dow and the Company shall include Dow's "Successors and Assigns" (as hereinafter defined).

f. INVOLUNTARY TERMINATION. For purposes of this Agreement, Involuntary Termination shall mean Employee's (i) termination of employment as a result of a Change in Control within two years of the Change in Control event from Dow or one of the resulting entities in any merger, division, consolidation, or reorganization, other than Cause, or (ii) termination for Good Reason after a Change in Control. For purposes of this Agreement, an "Involuntary Termination" shall also mean that the Employee's employment with the Company is severed by the Company for reasons other than Cause. For purposes of clarification, an Involuntary Termination does not include the following:

(i) a voluntary termination of employment (or resignation) by the Employee for any reason;

(ii) the voluntary retirement of the Employee;

(iii) a termination of employment as a result of Disability or death of the Employee;

(iv) the Employee's termination of employment as a result of a sale of all or a part of the Company's business (or otherwise where it merges, divides, consolidates or reorganizes) when the Employee has the opportunity to continue employment with the buyer (or one of the resulting entities in any merger, division, consolidation, or reorganization) with comparable total compensation at a comparable position on comparable terms and conditions of employment to those applicable during the Employee's prior employment with Dow, and regardless of whether the individual accepts or rejects such employment opportunity.

g. CHANGE IN CONTROL. For purposes of this Agreement, a Change in Control is the occurrence of one of the following events: (i) the acquisition of 20% or more of the Company's outstanding voting securities; (ii) changes to the membership of the Board of Directors that result in less than 50% of the current board being re-elected to the Board; (iii) approval by the shareholders of the Company of the merger or consolidation of the Company with another entity in which the Company is not the surviving company, or where the other entity owns more than 50% of the Company outstanding voting securities; or (iv) the complete liquidation of, or the sale of all or substantially all assets of, the Company.

h. GOOD REASON. For purposes of this agreement, Good Reason shall mean (i) a material reduction in a Employee's job duties or (ii) a decrease in total overall compensation including variable pay and long term incentives or (iii) a requirement to relocate that extends a Employee's current home-work commute more than 50 miles; (iv) a substantial increase in business travel; or (v) the failure of the Company to require a successor corporation to expressly assume or agree to perform this Agreement in the same manner and to the same extent as the Company.

i. DISABILITY. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which impairs the Employee's ability to substantially perform the Employee's duties with the Company for a period of: (i) one hundred eighty (180) consecutive days; or (ii) one hundred eighty (180) days during any twelve (12) month period.

j. EXECUTIVE. For purposes of this Agreement, "Executive" means an employee of the Company who has been approved for participation in this Agreement by the Compensation Committee of Dow's Board of Directors.

k. NOTICE OF TERMINATION. For purposes of this Agreement, "Notice of Termination" shall mean a written notice of termination of the Employee's employment from the Company, which notice indicates the Employee's last day of active employment with the Company (the "Termination Date"), the benefits to be received by the Employee and any applicable terms and conditions (which shall include a release of all claims and liabilities arising out of Employee's employment or termination of employment and an ongoing requirement to protect the Company's confidential information). The Notice of Termination will not become effective until it is signed by Employee and an authorized representative of the Company within the time period specified in the Notice of Termination. In the event of the Employee's Involuntary Termination, the Company shall provide the Notice of Termination to the Employee as promptly as possible following the Employee's last day of active employment.

l. SUCCESSORS AND ASSIGNS. For the purposes of this Agreement, "Successors and Assigns" shall mean a corporation or other entity acquiring all or substantially all of the assets and business of the Company whether by operation of law or otherwise.

3. SEVERANCE BENEFITS.

a. If, during the term of this Agreement, an Involuntary Termination occurs, provided that the Employee signs the release within the time provided for in the Notice of Termination and satisfies any other applicable terms and conditions under the Notice of Termination and this Agreement, the Employee shall be entitled to the following compensation and benefits:

(i) The Company shall pay Employee all Accrued Compensation;

(ii) The Company shall pay Employee two point ninety- nine (2.99) times the sum of (A) the Base Amount and (B) the Bonus Amount;

(iii) Employee shall receive all vested benefits earned under any Company-sponsored retirement or benefit plan in accordance with the terms of those plans;

(iv) Employee shall receive an additional three (3) years of service credit added to Employee's actual service with Dow for purposes of eligibility, vesting, and benefit accrual and three (3) additional years of age shall be added to the Employee's age at termination for purposes of calculating the appropriate age band for the additional three years of service credit or any applicable early retirement factors. Such additional credit shall be subject to the regular plan limits and terms and conditions under the Company's various qualified and non-qualified retirement plans in which the Employee participates. The benefits to be credited or accrued under a qualified retirement plan pursuant to the preceding sentence shall be credited or accrued on the Employee's behalf under the corresponding non-qualified plan and shall be paid to the Employee in the same manner and at the same time as other benefits credited or accrued under such non-qualified plan are payable to Employee.

(v) Employee shall be eligible for comprehensive outplacement, tax and financial planning assistance up to a maximum of \$50,000 payable by the Company.

(vi) Subject to the last sentence of this Section 3(a)(vi), for eighteen (18) months following the Employee's Involuntary Termination (the "Continuation Period"), the Company shall continue on behalf of the Employee and the Employee's eligible dependents, the medical, dental and hospitalization benefits provided to other similarly situated Employees who continue in the employ of the Company during the Continuation Period. The coverage and benefits (including deductibles, copays and employee contribution costs) provided in this Section 3(a)(vii) during the Continuation Period shall be no less favorable to the Employee and the Employee's dependents than coverage provided to other similarly situated active employees of the Company. The Company's obligation under this Section 3(a)(vi) shall cease as soon as Employee becomes eligible for another employer's medical, dental and hospitalization benefits during the Continuation Period.

(vii) In the event severance benefits provided to the executive exceed statutory thresholds and become subject to the 20% "golden parachute excise tax," the Company will provide gross-up protection for those executives subject to this tax.

(viii) Long Term Incentives in the form of performance shares and deferred shares will vest and will be delivered as soon as administratively possible upon Involuntary Termination. Stock Options will vest immediately upon Involuntary Termination.

ix) Reimbursement for legal fees and expenses, including reasonable attorney's fees, if any, incurred by the Executive in enforcing the terms of the Agreement.

b. The amounts provided for in subsections 3(a)(i) and 3(a)(ii) shall be paid in a single lump sum cash payment six months after the Termination Date (or the date the Notice of Termination becomes effective, if later) or as soon as administratively practicable thereafter; provided however, in any case, such payment shall be paid in a manner that complies with all applicable laws and regulations and maximizes the tax effectiveness of such payment to the Company and Employee.

4. EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to all applicable withholding of income and employment taxes.

5. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding upon and shall inure to the benefit of the Company, its Successors and Assigns, and the Company shall require any Successors and Assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Employee or the Employee's beneficiaries or legal representatives. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal or personal representative.

6. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Vice President responsible for Executive Compensation for the Company.

7. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any benefits, bonus, incentive or other plan or program provided by the Company (except for any severance or termination policies, plans, programs or practices applicable to other salaried employees) and for which the Employee may qualify, nor shall anything herein limit or reduce such rights as the Employee may have under any other agreements with the Company. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

8. NO IMPLIED EMPLOYMENT RIGHTS. Nothing in this Agreement shall alter the Employee's status as an "at will" employee of the Company or be construed to imply that the Employee's employment is guaranteed for any period of time, except as otherwise agreed in a written agreement signed by a duly authorized officer of the Company.

9. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged, unless such a waiver, modification or discharge is agreed to in writing and signed by the Employee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party which are not expressly set forth in this Agreement.

10. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Michigan without giving effect to the conflict of law principles thereof.

11. ARBITRATION. Any dispute or controversy arising under or in connection with the subject matter, the interpretation, the application, or alleged breach of this Agreement ("Arbitrable Claims") shall be resolved by binding arbitration in the City of Detroit, in accordance with the then-current National Rules for the Resolution of Employment

Disputes of the American Arbitration Association. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Notwithstanding the foregoing, either party may bring an action in court to compel arbitration under this Agreement, to enforce an arbitration award, or to seek injunctive relief. THE PARTIES HEREBY WAIVE ANY RIGHT TO JURY TRIAL AS TO ARBITRABLE CLAIMS.

12. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

13. ENTIRE AGREEMENT. The payments provided for in this Agreement are in lieu of severance or termination payments or benefits to which the Employee may otherwise be entitled under any applicable law (including any statute, ordinance, rule, regulation, writ, order or pronouncement of the Employee's domicile, home country or other relevant jurisdiction or any agency or authority of such jurisdiction) in the event of Involuntary Termination, and the Employee hereby waives any entitlement to severance or termination payments or benefits under any such applicable law. The parties agree that the terms of this Agreement are intended to be the final expression of their agreement with respect to the subject matter of this Agreement and may not be contradicted by evidence of any prior or contemporaneous agreement, except to the extent that the provisions of any such agreement have been expressly referred to in this Agreement as having continued effect. Any and all previous agreements, practices and programs between the Company and the Employee dealing with severance or a termination of employment are null and void and given no effect.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Employee has executed this Agreement as of the day and year first above written.

**The Dow Chemical Company**

By: \_\_\_\_\_

**Employee:**

\_\_\_\_\_  
Employee Name

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**THE DOW CHEMICAL COMPANY**

**CHANGE IN CONTROL EXECUTIVE SEVERANCE AGREEMENT – Tier 2**

This Agreement, dated as of \_\_\_\_\_, is entered into between The Dow Chemical Company, a corporation organized under the laws of the State of Delaware (“Dow” or the “Company”), and \_\_\_\_\_ (the “Employee”).

WHEREAS, the Board of Directors of the Company (the “Board”) recognizes that the possibility of an Involuntary Termination (as hereinafter defined) exists and that the occurrence of an Involuntary Termination can result in significant uncertainties inherent in such a situation; and

WHEREAS, the Company has had both informal and formal practices in this area in the past, and the Board has determined that it is in the best interest of the Company and its shareholders to have clarity over the obligations of the Company to the Employee as a result of an Involuntary Termination in the event of a Change In Control (as hereinafter defined).

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. TERM OF AGREEMENT. This Agreement shall commence as of November 2007 and shall continue in effect until the Employee leaves the employ of the Company for any reason or until the Employee becomes ineligible for this Change in Control Executive Severance Agreement as determined by the Compensation Committee of Dow’s Board of Directors. In the event that Employee continues as an active employee of the Company but ceases to be eligible for this severance plan as determined by the Compensation Committee, this Agreement shall become null and void and Employee shall then be eligible for Dow’s standard severance policy provided to other salaried employees.

2. DEFINITIONS.

a. ACCRUED COMPENSATION. For purposes of this Agreement, “Accrued Compensation” shall mean an amount which shall include all amounts earned or accrued through the “Termination Date” (as hereinafter defined) but not paid as of the Termination Date which shall consist of (i) base salary and (ii) earned eligible variable pay. The amount of earned eligible variable pay shall be determined by using the year to date results and prorated for the number of completed months of the program.

b. BASE AMOUNT. For purposes of this Agreement, “Base Amount” shall mean the Employee’s annual base salary at the rate in effect on the Termination Date, including all pre-tax salary reduction contributions or amounts of base salary that are deferred under any employee benefit or deferred compensation plans of the Company or any other agreement or arrangement.

c. BONUS AMOUNT. For purposes of this Agreement, “Bonus Amount” shall mean the Employee’s Base Amount times the Employee’s target percentage in effect on the Termination Date under Dow’s Performance Award Program.

d. CAUSE. For purposes of this Agreement, “Cause” shall mean the Employee’s:

(i) conviction of, or plea of *nolo contendere* to a felony or conviction of a misdemeanor involving moral turpitude (from which no further appeals have been or can be taken) or any similar criminal act in a jurisdiction outside the United States as determined in good faith by the Company;

(ii) material breach of Dow’s Values or Code of Business Conduct, as determined in good faith by the Company;

(iii) gross abdication of his or her duties as an employee or Executive of the Company (other than due to the Employee's partial or total incapacity due to illness), which conduct remains uncured by the Employee for a period of at least thirty (30) days following written notice thereof to the Employee by the Company, in each case as determined in good faith by the Company; or

(iv) misappropriation of Company assets, personal dishonesty or business conduct which causes material or potentially material financial or reputational harm for the Company, in each case as determined in good faith by the Company.

(v) breach of any non-compete agreement or confidentiality provisions, as determined in good faith by the Company.

e. COMPANY. For purposes of this Agreement, references to Dow and the Company shall include Dow's "Successors and Assigns" (as hereinafter defined).

f. INVOLUNTARY TERMINATION. For purposes of this Agreement, Involuntary Termination shall mean Employee's (i) termination of employment as a result of a Change in Control within two years of the Change in Control event from Dow or one of the resulting entities in any merger, division, consolidation, or reorganization, other than Cause, or (ii) termination for Good Reason after a Change in Control. For purposes of this Agreement, an "Involuntary Termination" shall also mean that the Employee's employment with the Company is severed by the Company for reasons other than Cause. For purposes of clarification, an Involuntary Termination does not include the following:

(i) a voluntary termination of employment (or resignation) by the Employee for any reason;

(ii) the voluntary retirement of the Employee;

(iii) a termination of employment as a result of Disability or death of the Employee;

(iv) the Employee's termination of employment as a result of a sale of all or a part of the Company's business (or otherwise where it merges, divides, consolidates or reorganizes) when the Employee has the opportunity to continue employment with the buyer (or one of the resulting entities in any merger, division, consolidation, or reorganization) with comparable total compensation at a comparable position on comparable terms and conditions of employment to those applicable during the Employee's prior employment with Dow, and regardless of whether the individual accepts or rejects such employment opportunity.

g. CHANGE IN CONTROL. For purposes of this Agreement, a Change in Control is the occurrence of one of the following events: (i) the acquisition of 20% or more of the Company's outstanding voting securities; (ii) changes to the membership of the Board of Directors that result in less than 50% of the current board being re-elected to the Board; (iii) approval by the shareholders of the Company of the merger or consolidation of the Company with another entity in which the Company is not the surviving company, or where the other entity owns more than 50% of the Company outstanding voting securities; or (iv) the complete liquidation of, or the sale of all or substantially all assets of, the Company.

h. GOOD REASON. For purposes of this agreement, Good Reason shall mean (i) a material reduction in a Employee's job duties or (ii) a decrease in total overall compensation including variable pay and long term incentives or (iii) a requirement to relocate that extends a Employee's current home-work commute more than 50 miles; (iv) a substantial increase in business travel; or (v) the failure of the Company to require a successor corporation to expressly assume or agree to perform this Agreement in the same manner and to the same extent as the Company.

i. DISABILITY. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which impairs the Employee's ability to substantially perform the Employee's duties with the Company for a period of: (i) one hundred eighty (180) consecutive days; or (ii) one hundred eighty (180) days during any twelve (12) month period.

j. EXECUTIVE. For purposes of this Agreement, "Executive" means an employee of the Company who has been approved for participation in this Agreement by the Compensation Committee of Dow's Board of Directors.

k. NOTICE OF TERMINATION. For purposes of this Agreement, "Notice of Termination" shall mean a written notice of termination of the Employee's employment from the Company, which notice indicates the Employee's last day of active employment with the Company (the "Termination Date"), the benefits to be received by the Employee and any applicable terms and conditions (which shall include a release of all claims and liabilities arising out of Employee's employment or termination of employment and an ongoing requirement to protect the Company's confidential information). The Notice of Termination will not become effective until it is signed by Employee and an authorized representative of the Company within the time period specified in the Notice of Termination. In the event of the Employee's Involuntary Termination, the Company shall provide the Notice of Termination to the Employee as promptly as possible following the Employee's last day of active employment.

l. SUCCESSORS AND ASSIGNS. For the purposes of this Agreement, "Successors and Assigns" shall mean a corporation or other entity acquiring all or substantially all of the assets and business of the Company whether by operation of law or otherwise.

3. SEVERANCE BENEFITS.

a. If, during the term of this Agreement, an Involuntary Termination occurs, provided that the Employee signs the release within the time provided for in the Notice of Termination and satisfies any other applicable terms and conditions under the Notice of Termination and this Agreement, the Employee shall be entitled to the following compensation and benefits:

(i) The Company shall pay Employee all Accrued Compensation;

(ii) The Company shall pay Employee two (2) times the sum of (A) the Base Amount and (B) the Bonus Amount;

(iii) Employee shall receive all vested benefits earned under any Company-sponsored retirement or benefit plan in accordance with the terms of those plans;

(iv) Employee shall receive an additional two (2) years of service credit added to Employee's actual service with Dow for purposes of eligibility, vesting, and benefit accrual and two (2) additional years of age shall be added to the Employee's age at termination for purposes of calculating the appropriate age band for the additional two years of service credit or any applicable early retirement factors. Such additional credit shall be subject to the regular plan limits and terms and conditions under the Company's various qualified and non-qualified retirement plans in which the Employee participates. The benefits to be credited or accrued under a qualified retirement plan pursuant to the preceding sentence shall be credited or accrued on the Employee's behalf under the corresponding non-qualified plan and shall be paid to the Employee in the same manner and at the same time as other benefits credited or accrued under such non-qualified plan are payable to Employee.

(v) Employee shall be eligible for comprehensive outplacement, tax and financial planning assistance up to a maximum of \$50,000 payable by the Company.

(vi) Subject to the last sentence of this Section 3(a)(vi), for eighteen (18) months following the Employee's Involuntary Termination (the "Continuation Period"), the Company shall continue on behalf of the Employee and the Employee's eligible dependents, the medical, dental and hospitalization benefits provided to other similarly situated Employees who continue in the employ of the Company during the Continuation Period. The coverage and benefits (including deductibles, copays and employee contribution costs) provided in this Section 3(a)(vii) during the Continuation Period shall be no less favorable to the Employee and the Employee's dependents than coverage provided to other similarly situated active employees of the Company. The Company's obligation under this Section 3(a)(vi) shall cease as soon as Employee becomes eligible for another employer's medical, dental and hospitalization benefits during the Continuation Period.

(vii) In the event severance benefits provided to the executive exceed statutory thresholds and become subject to the 20% "golden parachute excise tax," the Company will provide gross-up protection for those executives subject to this tax.



(viii) Long Term Incentives in the form of performance shares and deferred shares will vest and will be delivered as soon as administratively possible upon Involuntary Termination. Stock Options will vest immediately upon Involuntary Termination.

ix) Reimbursement for legal fees and expenses, including reasonable attorney's fees, if any, incurred by the Executive in enforcing the terms of the Agreement.

b. The amounts provided for in subsections 3(a)(i) and 3(a)(ii) shall be paid in a single lump sum cash payment six months after the Termination Date (or the date the Notice of Termination becomes effective, if later) or as soon as administratively practicable thereafter; provided however, in any case, such payment shall be paid in a manner that complies with all applicable laws and regulations and maximizes the tax effectiveness of such payment to the Company and Employee.

4. EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to all applicable withholding of income and employment taxes.

5. SUCCESSORS; BINDING AGREEMENT. This Agreement shall be binding upon and shall inure to the benefit of the Company, its Successors and Assigns, and the Company shall require any Successors and Assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Employee or the Employee's beneficiaries or legal representatives. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal or personal representative.

6. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Vice President responsible for Executive Compensation for the Company.

7. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any benefits, bonus, incentive or other plan or program provided by the Company (except for any severance or termination policies, plans, programs or practices applicable to other salaried employees) and for which the Employee may qualify, nor shall anything herein limit or reduce such rights as the Employee may have under any other agreements with the Company. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

8. NO IMPLIED EMPLOYMENT RIGHTS. Nothing in this Agreement shall alter the Employee's status as an "at will" employee of the Company or be construed to imply that the Employee's employment is guaranteed for any period of time, except as otherwise agreed in a written agreement signed by a duly authorized officer of the Company.

9. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged, unless such a waiver, modification or discharge is agreed to in writing and signed by the Employee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party which are not expressly set forth in this Agreement.

10. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Michigan without giving effect to the conflict of law principles thereof.

11. ARBITRATION. Any dispute or controversy arising under or in connection with the subject matter, the interpretation, the application, or alleged breach of this Agreement ("Arbitrable Claims") shall be resolved by binding arbitration in the City of Detroit, in accordance with the then-current National Rules for the Resolution of Employment

Disputes of the American Arbitration Association. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Notwithstanding the foregoing, either party may bring an action in court to compel arbitration under this Agreement, to enforce an arbitration award, or to seek injunctive relief. THE PARTIES HEREBY WAIVE ANY RIGHT TO JURY TRIAL AS TO ARBITRABLE CLAIMS.

12. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

13. ENTIRE AGREEMENT. The payments provided for in this Agreement are in lieu of severance or termination payments or benefits to which the Employee may otherwise be entitled under any applicable law (including any statute, ordinance, rule, regulation, writ, order or pronouncement of the Employee's domicile, home country or other relevant jurisdiction or any agency or authority of such jurisdiction) in the event of Involuntary Termination, and the Employee hereby waives any entitlement to severance or termination payments or benefits under any such applicable law. The parties agree that the terms of this Agreement are intended to be the final expression of their agreement with respect to the subject matter of this Agreement and may not be contradicted by evidence of any prior or contemporaneous agreement, except to the extent that the provisions of any such agreement have been expressly referred to in this Agreement as having continued effect. Any and all previous agreements, practices and programs between the Company and the Employee dealing with severance or a termination of employment are null and void and given no effect.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Employee has executed this Agreement as of the day and year first above written.

**The Dow Chemical Company**

By: \_\_\_\_\_

**Employee:**

\_\_\_\_\_  
Employee Name

**Subsidiaries of The Dow Chemical Company**  
**At December 31, 2007**

**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
The Dow Chemical Company	Delaware	
Arabian Chemical Company (Latex) Ltd. (1)	Saudi Arabia	50
Arabian Chemical Company (Polystyrene) Limited (1)	Saudi Arabia	50
Arakawa Europe GmbH	Germany	60
AVC Holdings Inc. (35)	Delaware	63
Buildscape, LLC	Delaware	100
CanStates Holdings, Inc.	Oklahoma	100
ANGUS Chemical Company	Delaware	100
CD Polymers Inc.	Delaware	100
Centen Ag Inc.	Delaware	100
Dow AgroSciences LLC (9)	Delaware	39
Mycogen Corporation (16)	California	12
Chemars Inc.	Delaware	100
Chemars III LLC	Delaware	100
DC Partnership Management Inc.	Delaware	100
DowBrands L.P. (6)	Delaware	42
DCOMCO, Inc.	Delaware	100
Denmerco Inc.	Delaware	100
DW Dexco Investment LLC	Delaware	100
Dexco Polymers L.P. (1) (24)	Texas	49
Dexco Polymers Operating Company LLC (1)	Texas	50
Dexco Polymers L.P. (1) (24)	Texas	1
Diamond Capital Management Inc.	Delaware	100
DML Holding Inc. (40)	Delaware	89
DMM Financial LLC	Delaware	100
MTD Pipeline LLC (1)	Delaware	50
Dofinco, Inc.	Delaware	100
Dow Chemical (Australia) Limited	Australia	100
Dow Australia Superannuation Fund A Pty Limited	Australia	100
Polystyrene Australia Pty Ltd (1)	Australia	50
Dow Chemical (China) Investment Company Limited	China	100
Dow Chemical (China) Company Limited	China	100
Dow Chemical (Shanghai) Company Limited	China	100
Dow Chemical (Zhangjiagang) Company Limited (13)	China	57
Dow S/B Latex (Zhangjiagang) Co. Ltd. (12)	China	61
Guangdong Zhongshan Amerchol Specialty Chemicals	China	90
SAL Petrochemical (Zhangjiagang) Company Limited (15)	China	10
Zhejiang Pacific Chemical Corporation	China	100
Dow Chemical Delaware Corp.	Delaware	100
Chemtech II L.P. (8)	Delaware	72
Chemtech Portfolio Inc. (11)	Texas	33
Chemtech Portfolio II Inc.	Michigan	100
Dow Chemical (Hong Kong) Limited	Hong Kong	100
Dow Chemical International Ltd.	Delaware	100
Dow Chemical Thailand Ltd.	Thailand	100
Dow International Holdings Company (28)	Delaware	1
Hobbes Capital S.A. (23)	Luxembourg	48
Petroquimica-Dow S.A. (Petrodow)	Chile	100
Dow Chemical Korea Limited (44)	Korea	86
Dow Chemical (NZ) Limited	New Zealand	100
Dow Chemical Pacific Limited	Hong Kong	100

**Subsidiaries of The Dow Chemical Company**  
**At December 31, 2007**

**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Dow Chemical Pacific (Singapore) Private Limited	Singapore	100
Dow Chemical (Guangzhou) Company Limited	China	100
Dow Chemical International Pvt. Ltd. (34)	India	99
Dow Chemical (Malaysia) Sdn. Bhd.	Malaysia	100
Dow Financial Holdings Singapore Pte Ltd.	Singapore	100
Dow Chemical (Zhangjiagang) Company Limited (13)	China	43
Dow S/B Latex (Zhangjiagang) Co. Ltd. (12)	China	39
SAL Petrochemical (Zhangjiagang) Company Limited (15)	China	90
Dow HPPO (Thailand) Limited	Thailand	100
G.Z. Holdings Pte. Ltd.	Singapore	100
PT Dow Chemical Indonesia (18)	Indonesia	15
S.H.A. Holdings Pte. Ltd.	Singapore	100
Dow Chemical (Singapore) Private Limited	Singapore	100
Dow Chemical International Pvt. Ltd. (34)	India	1
Dow Chemical Taiwan Limited	Taiwan	100
Dow Chemical Telecommunications Corp.	Delaware	100
Dow Credit Corporation	Delaware	100
Dow Customs & Trade Inc.	Delaware	100
Dow Deutschland Inc.	Delaware/Germany	100
Dow Chemical Inter-American Limited	Delaware	100
Dow Quimica de Colombia S.A. (5)	Colombia	10
Dow Deutschland Management Inc.	Delaware	100
Dow Engineering Company	Delaware	100
Dow Engineering, Inc.	Michigan	100
Dow Environmental Inc.	Delaware	100
Dow Holdings LLC	Delaware	100
Dow Corning Corporation (1)	Michigan	50
Dow Hydrocarbons and Resources LLC	Delaware	100
Cayuse Pipeline, Inc.	Texas	100
Dow Intrastate Gas Company	Louisiana	100
Dow Pipeline Company	Texas	100
K/D/S Promix, LLC (1)	Texas	50
Midland Pipeline Corp.	Delaware	100
Fort Saskatchewan Ethylene Storage Corporation (1)	Canada	50
Fort Saskatchewan Ethylene Storage Limited Partnership (1) (14)	Canada	1
DowBrands L.P. (6)	Delaware	58
Dow Financial Services Inc.	Delaware	100
Dow Global Technologies Inc.	Delaware	100
AVC Holdings Inc. (35)	Delaware	37
Chemtech Portfolio Inc. (11)	Texas	67
Dow Technology Investments LLC (47)	Delaware	50
Dow Internacional Mexicana S.A. de C.V.	Mexico	100
Dow International B.V.	Netherlands	100
Dow International Financial Services	Ireland	100
Dow Capital Public Limited Company	Ireland	100
Dow International Holdings Company (28)	Delaware	72
DC Spectrum Holding C.V. (48)	Netherlands	99
Coöperatieve DC Prisma Holding U.A. (49)	Netherlands	99
Dow Dutch Holding B.V.	Netherlands	100
DC Galaxy Holding C.V. (50)	Netherlands	1
Dow Europe Finance I B.V.	Netherlands	100

**Subsidiaries of The Dow Chemical Company**  
**At December 31, 2007**

**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Dow International Holdings S.A.	Switzerland	100
DC Galaxy Holding C.V. (50)	Netherlands	99
Dow Europe Holding B.V.	Netherlands	100
BASF DOW HPPO B.V. (1)	Netherlands	50
BASF DOW HPPO Technology B.V. (1)	Netherlands	50
CaseTech Polska Sp. z o.o.	Poland	100
Control Securities Finance (Consefin) B.V.	Netherlands	100
Domaluna B.V.	Netherlands	100
Dow Austria Gesellschaft m.b.H	Austria	100
Dow Belgium B.V.B.A	Belgium	100
Dow Benelux B.V.	Netherlands	100
Dow Network B.V.	Netherlands	100
Emergo Finance C.V. (1)	Netherlands	50
Polyol Belgium B.V.B.A. (10)	Belgium	99
Valuepark Terneuzen Beheer B.V. (1)	Netherlands	50
Valuepark Terneuzen C.V. (1) (33)	Netherlands	1
Dow Beteiligungsgesellschaft mbH & Co. KG	Germany	100
Dow Olefinverbund GmbH	Germany	5
Dow Chemical Company Limited	United Kingdom	100
Autothane Limited	United Kingdom	100
Cromarty Petroleum Company Limited (1)	United Kingdom	50
Hyperlast Limited	United Kingdom	100
ALH Rail Coatings Limited (1)	United Kingdom	50
Hypertec Print Services Limited	United Kingdom	100
Xitrack Limited (1)	United Kingdom	50
Dow Chemical Iberica S.L.	Spain	99
Terminal de Atrake de Productos Petroquimicos AIE (1)	Spain	50
Transformadora de Etileno A.I.E. (1)	Spain	50
Wolff Cellulosics S.L.	Spain	100
Dow Chemical Korea Limited (44)	Korea	14
Dow Chemical OOO	Russia	100
Dow Chemical Romania S.R.L.	Romania	100
Dow Europe GmbH	Switzerland	100
Advanced Design Concepts GmbH (1)	Germany	50
Dolpa S.a.r.l.	Luxembourg	100
Dow Contract Services FZE	Dubai	100
Dow Export GmbH	Switzerland	100
Dow Mideast Systems S.A.E. (JSC) (2)	Egypt	1
Dow France S.A.S.	France	100
Dow Hellas A.E.	Greece	100
Dow Hungary Kft. (30)	Hungary	99
Dow InterBranch B.V.	Netherlands	100
Dow Danmark A/S	Denmark	100
Dow Hungary Kft. (30)	Hungary	1
Dow Mideast Systems S.A.E. (JSC) (2)	Egypt	1
Dow Norge A/S	Norway	100
Dow Saudi Arabia Company (45)	Saudi Arabia	15
Dow Turkiye Kimya Sanayi ve Ticaret Ltd Sti (3)	Turkey	1
Dow Zwijndrecht B.V.B.A. (25)	Belgium	1
MTP HPPO Manufacturing Company Limited	Thailand	100
Dow Italia s.r.l.	Italy	100

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Dow AgroSciences Italia s.r.l.	Italy	100
Dow Italia Divisione Commerciale s.r.l	Italy	100
Dow Mideast Systems S.A.E. (JSC) (2)	Egypt	98
Dow Olefinverbund GmbH	Germany	95
ANGUS Chemie GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (39)	Germany	30
Dow Wolff Cellulosics GmbH & Co OHG (46)	Germany	50
Dow Pipeline Gesellschaft mbH & Co. KG	Germany	80
Dow Pipeline Verwaltungsgesellschaft mbH	Germany	80
Dow AgroSciences GmbH	Germany	100
Dow Automotive (Deutschland) GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (39)	Germany	35
Dow Deutschland Anlagengesellschaft mbH	Germany	100
Dow Wolff Cellulosics GmbH	Germany	100
AF Personalpartner GmbH	Germany	100
CaseTech Geschäftsführungs-GmbH	Germany	100
Gerhard Peter GmbH	Germany	100
CaseTech GmbH & Co. KG	Germany	100
Probis GmbH	Germany	100
UPPC AG	Germany	100
UPPC Ltd.	United Kingdom	100
UPPC S.A.R.L.	France	75
SAFECHEM Europe GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (39)	Germany	35
Dow Wolff Cellulosics GmbH & Co OHG (46)	Germany	50
Dow Polska Sp.z.o.o.	Poland	100
Dow Portugal - Produtos Quimicos, Unipessoal, Lda.	Portugal	100
Dow Saudi Arabia Company (45)	Saudi Arabia	85
Dow Southern Africa (Pty) Ltd	South Africa	100
Dow Suomi OY	Finland	100
Dow Sverige AB	Sweden	100
Dow Türkiye Kimya Sanayi ve Ticaret Ltd Sti (3)	Turkey	99
Dow Zwijndrecht B.V.B.A. (25)	Belgium	99
Dow (Wilton) Limited	United Kingdom	100
Egulan A/S	Denmark	100
Egulan UK Limited	United Kingdom	100
Ginger B.V. (1)	Netherlands	50
Haltermann B.V.B.A.	Belgium	100
HPPO Holding & Finance C.V. (1)	Netherlands	50
MEGlobal B.V. (1)	Netherlands	50
Oman Petrochemical Industries Company LLC (1)	Oman	50
Polyol Belgium B.V.B.A. (10)	Belgium	1
RUS Polyurethanes Holding B.V.	Netherlands	58
Dow Izolan OOO	Russia	100
UC Investment B.V.	Netherlands	100
Rofan Automation and Information Systems B.V.	Netherlands	100
Terneuzen Partnership Services B.V.	Netherlands	100
Valuepark Terneuzen C.V. (1) (33)	Netherlands	49
Dow Netherlands Investments LLC	Delaware	100
Coöperatieve DC Prisma Holding U.A. (49)	Netherlands	1
Dow Netherlands Holdings LLC	Delaware	100

**Subsidiaries of The Dow Chemical Company**  
At December 31, 2007

**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
DC Spectrum Holding C.V. (48)	Netherlands	1
DowBrands Inc. (17)	Delaware	79
Dow International Technology Corporation	Delaware	100
Dow Investment Argentina S.A. (36)	Argentina	97
PBBPolisur S.A. (38)	Argentina	72
Dow Kakoh Kabushiki Kaisha	Japan	65
Dow Pacific Holdings B.V.	Netherlands	100
Dow Quimica Argentina S.A. (26)	Argentina	87
Dow Quimica Chilena S.A. (27)	Chile	89
Dow Quimica de Colombia S.A. (5)	Colombia	90
Dow Quimica Mexicana S.A. de C.V. (21)	Mexico	85
Dow South Africa Holdings (Pty.) Ltd.	South Africa	100
Sentrachem Limited	South Africa	100
Cisvaal (Proprietary) Limited	South Africa	100
Minchem International Inc.	South Africa	100
South African Polymer Holdings (PTY) Ltd.	South Africa	100
Dow Trading S.A.	Switzerland	100
Dow Trent Limited	United Kingdom	100
Dow UK Limited	United Kingdom	100
Haltermann Limited	United Kingdom	100
Ascot Holdings Limited	United Kingdom	100
Ascot International Management Limited	United Kingdom	100
Ascot Limited	United Kingdom	100
Ascot Investments Limited	United Kingdom	100
Ascot Chemicals Limited	United Kingdom	100
Mitchell Cotts Chemicals Limited	United Kingdom	100
Ascot Management Services Limited	United Kingdom	100
Haltermann Pension Trustees Limited	United Kingdom	100
Chirotech Technology Limited	United Kingdom	100
Lynshield Limited (1)	United Kingdom	50
Suter Limited	United Kingdom	100
Ascot Overseas Ltd.	United Kingdom	100
Dow Venezuela, C.A. (7)	Venezuela	36
Dow Verwaltungsgesellschaft mbH	Germany	100
DSL Holdings Inc.	Delaware	100
Dow Reichhold Specialty Latex LLC (1)	Delaware	50
Equipolymers B.V. (1)	Netherlands	50
Esscx Chemical Corporation	New Jersey	100
Essex Specialty Products LLC	New Jersey	100
American Mortell Corporation	Texas	100
Mortell Company	Delaware	100
Anabond Essex India Private Limited (1)	India	50
Dow International Holdings Company (28)	Delaware	9
Dow Investment Argentina S.A. (36)	Argentina	3
Essex de Hermosillo, S.A. DE C.V.	Mexico	100
Wuhan Essex Chemical Co., Ltd.	China	100
FilmTec Corporation	Delaware	100
OMEX Overseas Holdings Inc.	Virgin Islands	100
Shandong OMEX Environmental Engineering Co. Ltd.	China	100
Zhejiang OMEX Environmental Engineering Co., Ltd.	China	100
Flexible Products Company	Georgia	100

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Flexible Products Company of Canada, Inc	Canada	100
Forbanco Inc.	Delaware	100
GBRP, L.L.C.	Louisiana	94
General Latex and Chemical Corporation	Massachusetts	100
General Latex Canada Inc.	Canada	100
GNS Enterprises, LLC	Georgia	100
GNS Technologies, LLC	Georgia	100
Great Western Pipeline Company, Inc.	California	100
GWN Holding, Inc. (41)	Delaware	89
Dow Canada Holding LP	Canada	100
Dow Canada Holding B.V.	Netherlands	100
Dow Chemical Canada Inc.	Canada	100
Dow Chemical Finance Canada Inc.	Canada	100
Modeland International Holdings Inc. (29)	Barbados	59
Dow Brasil S.A.	Brazil	100
Branco Dow Compostos de Engenharia S.A.	Brazil	100
Cambricos de Uruguay S.A.	Uruguay	100
Dopec Industria E Comercio Ltda.	Brazil	100
Dow Especialidades Quimicas Ltda.	Brazil	100
Dow Brasil Sudeste Industrial Ltda.	Brazil	100
Keytil Sociedad Anonima	Uruguay	100
Essex Specialty Products, Inc., Canada	Canada	100
Fort Saskatchewan Ethylene Storage Limited Partnership (1) (14)	Canada	49
H-D Tech Inc. (1)	Canada	50
MEGlobal Canada Inc (1)	Canada	50
Petromont and Company, Limited Partnership (1)	Canada	50
Petromont Inc. (1)	Canada	50
Ifco Inc.	Delaware	100
Chemtech II L.P. (8)	Delaware	5
Ion Holdings LLC (20)	Delaware	60
Ion Investments S.a.r.l.	Luxembourg	100
Tornado Finance V.O.F.	Netherlands	60
Intarsia Corporation	Delaware	99
Joliet Marine Terminal Trust Estate (1)	Illinois	50
Liana Limited	Delaware	100
Dorinco Insurance (Ireland) Limited	Ireland	100
Dorinco Reinsurance Company	Michigan	100
Dorintal Reinsurance Limited	Bermuda	100
Timber Insurance Limited	Bermuda	100
LG DOW Polycarbonate Limited (1)	Korea	50
PBBPolisur S.A. (38)	Argentina	28
PT Dow Chemical Indonesia (18)	Indonesia	85
Productos Quimicos Peruanos S.A. (31)	Peru	91
Proresin Inc.	Delaware	100
Haltermann Incorporated	Texas	100
Johann Haltermann Ltd. (32)	Texas	1
Johann Haltermann Ltd. (32)	Texas	99
Raven Group Ltd.	Delaware	100
RavenWorks Ltd.	Delaware	100
Rofan Services Inc.	Delaware	100
Dow AgroSciences LLC (9)	Delaware	10



**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Ion Holdings LLC (20)	Delaware	40
Mycogen Corporation (16)	California	88
Dow AgroSciences LLC (9)	Delaware	51
Alsan Research (1)	Iowa	50
Bayer DAS (Private) Limited (1)	Pakistan	50
DERe Insurance Company	Vermont	100
Dintec Agrichemicals LLC (1)	Delaware	50
Dow AgroSciences Agricultural Products Limited	Mauritius	100
Dow AgroSciences India Pvt. Ltd. (37)	India	99
Dow AgroSciences B.V.	Netherlands	100
Ambito DAS S.A. (1)	Argentina	50
ChacoDAS S.A. (1)	Argentina	50
DASER AGRO S.A. (1)	Argentina	50
Desab S.A. (1)	Argentina	50
Dintec Agroquimica Produtos Quimicos, Lda.	Portugal	66
Distribuidora de Agroquimicos del Sureste de la Republica S.A. de C.V. (1)	Mexico	50
Dow AgroSciences A.S.	Turkey	100
Dow AgroSciences Argentina S.A. (22)	Argentina	89
Dow AgroSciences Bolivia S.A. (42)	Bolivia	1
Dow AgroSciences Paraguay S.A. (43)	Paraguay	1
Dow AgroSciences Asia Sdn. Bhd.	Malaysia	100
Dow AgroSciences Australia Limited	Australia	100
Dow AgroSciences Bolivia S.A. (42)	Bolivia	98
Dow AgroSciences Canada Inc.	Canada	100
Dow AgroSciences Chile S.A.	Chile	100
Dow AgroSciences Costa Rica S.A.	Costa Rica	100
Dow AgroSciences Danmark A/S	Denmark	100
Dow AgroSciences de Colombia S.A.	Colombia	100
Dow AgroSciences de Mexico S.A. de C.V.	Mexico	100
Dow AgroSciences Export S.A.S.	France	100
Dow AgroSciences Guatemala S.A.	Guatemala	100
Dow AgroSciences Iberica S.A.	Spain	100
Dow AgroSciences Industrial Ltda.	Brazil	100
Agromen Tecnologia Ltda.	Brazil	100
Dow AgroSciences Limited	United Kingdom	100
Dow AgroSciences (NZ) Limited	New Zealand	100
Dow AgroSciences Pacific Limited	Hong Kong	100
Dow AgroSciences Paraguay S.A. (43)	Paraguay	99
Dow AgroSciences Bolivia S.A. (42)	Bolivia	1
Dow AgroSciences Polska Sp z o.o.	Poland	100
Dow AgroSciences Hungary KFT (19)	Hungary	1
Dow AgroSciences S.A.S.	France	100
Dow AgroSciences Distribution S.A.S.	France	100
Dow AgroSciences (Malaysia) Sdn Bhd	Malaysia	100
Dow AgroSciences s.r.o.	Czech Republic	100
Dow AgroSciences Sverige A/B	Sweden	100
Dow AgroSciences Taiwan Ltd.	Taiwan	100
Dow AgroSciences Technology GmbH	Switzerland	100
Dow AgroSciences Switzerland S.A.	Switzerland	100
Dow AgroSciences Hungary KFT (19)	Hungary	99
Pytech Chemicals GmbH (1)	Switzerland	50

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Dow AgroSciences Uruguay S.A.	Uruguay	100
Dow AgroSciences Vertriebsgesellschaft m.b.H.	Austria	100
Dow Chemical Japan Limited	Japan	100
Dow Venezuela, C.A. (7)	Venezuela	54
Fedea S.A. (1)	Argentina	50
I.C.R. - Intermedi Chimici Ravenna s.r.l. (1)	Italy	50
JV Agro S.A. (1)	Argentina	50
P.T. Dow AgroSciences Indonesia	Indonesia	95
Pentec - Produtos Quimicos, Lda. (1)	Portugal	50
Rindes y Cultivos - DAS S.A. (1)	Argentina	50
Terramar JV S.A. (1)	Argentina	50
Ubajay-DAS S.A. (1)	Argentina	50
Dow AgroSciences Barbados Limited	Barbados	100
Dow AgroSciences China Ltd.	Delaware	100
Dow AgroSciences International Ltd.	Delaware	100
Dow AgroSciences (Thailand) Limited	Thailand	100
Dow AgroSciences Southern Africa (Proprietary) Limited	South Africa	100
Sanachem Zimbabwe (Pvt) Ltd.	Zimbabwe	100
DowBrands Inc. (17)	Delaware	21
DAS Agricultural Investment Holding Company Ltd.	Mauritius	100
Dow AgroSciences India Pvt. Ltd. (37)	India	1
Nantong DAS Chemical Co., Ltd.	China	82
Mycogen Crop Protection, Inc.	California	100
Mycogen S.A. de C.V. (4)	Mexico	99
Mycogen Plant Science, Inc.	Delaware	100
Agrigenetics, Inc.	Delaware	100
Agrigenetics Molokai LLC	Hawaii	100
Dow AgroSciences Argentina S.A. (22)	Argentina	11
Duo Maize B.V.	Netherlands	100
Mycogen Seeds-Puerto Rico Corporation	Delaware	100
Mycogen S.A. de C.V. (4)	Mexico	1
Phytogen Seed Company, LLC	Delaware	54
Wenben Inc.	Delaware	100
Sentrachem US, Inc.	Delaware	100
Hampshire Holdings, Inc.	Delaware	100
Hampshire Chemical Corp.	Delaware	100
Styron Asia Limited	Hong Kong	100
Sumitomo Dow Limited. (1)	Japan	50
TCM Technologies Inc.	Delaware	100
Texas LNG Holdings LLC	Delaware	100
Union Carbide Corporation	New York	100
Amerchol Corporation	Delaware	100
Benefit Capital Management Corporation	Delaware	100
Calidria Corporation	Delaware	100
Carbide Chemical (Thailand) Limited	Thailand	100
Excellent Quality (Thailand) Company Limited	Thailand	100
Catalysts, Adsorbents & Process Systems, Inc.	Maryland	100
Chemicals Marine Fleet, Inc.	Delaware	100
DML Holding Inc. (40)	Delaware	11
Dow International Holdings Company (28)	Delaware	18
Dow Quimica Argentina S.A. (26)	Argentina	12

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Dow Quimica Mexicana S.A. de C.V. (21)	Mexico	15
Dow Venezuela, C.A. (7)	Venezuela	10
EQUATE Marketing Company E.C. (1)	Bahrain	50
Global Industrial Corporation	New York	100
GWN Holding, Inc. (41)	Delaware	11
Industrias Carlisil, S.A.	Mexico	100
KTI Chemicals, Inc.	Delaware	100
Modeland International Holdings Inc. (29)	Barbados	41
Nippon Unicar Company Limited (1)	Japan	50
Optimal Chemicals (Malaysia) Sdn. Bhd. (1)	Malaysia	50
P.T. Union Carbide Indonesia	Indonesia	100
Seadrift Pipeline Corporation	Delaware	100
Servicios de Quimicos Agricolas, S. A.	Mexico	100
South Charleston Sewage Treatment Company	West Virginia	100
UCAR Emulsion Systems International, Inc.	Delaware	100
UCAR Emulsion Systems FZE	Dubai	100
UCAR Interam Inc.	Delaware	100
UCAR Louisiana Pipeline Company	Delaware	100
UCAR Pipeline Incorporated	Delaware	100
UCMG LLC	Delaware	100
Optimal Glycols (Malaysia) Sdn. Bhd. (1)	Malaysia	50
UC Finco Inc.	Delaware	100
Umetco Minerals Corporation	Delaware	100
Australia and New Zealand Exploration Company	Delaware	100
Blue Creek Coal Company, Inc.	Delaware	100
Predate Properties (Pty) Ltd.	South Africa	100
Umetco Minerals Exploration Corporation	Delaware	100
Union Carbide Asia Limited	Hong Kong	100
Union Carbide (Guangdong Zhongshan) Company Limited	China	75
Union Carbide Asia Pacific, Inc.	Delaware	100
Union Carbide Caribe LLC	Delaware	100
Union Carbide Chemicals & Plastics Technology LLC	Delaware	100
Dow Technology Investments LLC (47)	Delaware	50
Union Carbide Comercial Nicaragua, S.A.	Nicaragua	100
Union Carbide Customer Services Pte. Ltd.	Singapore	100
Union Carbide Ethylene Oxide/Glycol Company	Delaware	100
Union Carbide Inter-America, Inc. (Delaware)	Delaware	100
Dow Quimica Chilena S.A. (27)	Chile	10
Productos Quimicos Peruanos S.A. (31)	Peru	9
Union Carbide Middle East Limited	Delaware	100
Union Carbide Pakistan (Private) Limited	Pakistan	60
Union Carbide Pan America, Inc.	Delaware	100
Dow Quimica Argentina S.A. (26)	Argentina	1
Dow Quimica Chilena S.A. (27)	Chile	1
Union Carbide Philippines (Far East), Inc.	Philippines	100
Union Carbide Polyolefins Development Company, Inc.	Delaware	100
Union Carbide South Africa (Proprietary) Limited	South Africa	100
Union Carbide Subsidiary C, Inc.	Delaware	100
Univation Technologies, LLC (1)	Delaware	50
Union Carbide Subsidiary Q Inc.	Delaware	100
Union Carbide Wire & Cable Company, Inc.	Delaware	100

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

	<i>Location*</i>	<i>% Ownership</i>
This list includes companies for which the effective ownership by The Dow Chemical Company is 50 percent or more.		
Union Polymers Sdn. Bhd.	Malaysia	90
UNISON Transformer Services, Inc.	Delaware	100
Westbridge Insurance Ltd.	Bermuda	100
U.S. Laboratories, Inc.	Ohio	100
Administrative Business Systems, Inc.	Ohio	100
Poly-Carb, Inc.	Ohio	100
Walsroder Packaging LLC	Delaware	100
Warbler I LLC	Delaware	100
Yokkaichi MDI Limited (I)	Japan	50

\*Location of incorporation or organization. Primary location of organization is reported for partnerships.

**Subsidiaries of The Dow Chemical Company**  
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**EXHIBIT 21**

- (1) These companies are 50%-owned, nonconsolidated affiliates of The Dow Chemical Company and are accounted for on the equity basis. Separate financial statements for these companies are not included in this Form 10-K. These companies are not controlled, directly or indirectly, by The Dow Chemical Company. Subsidiaries of these companies, if any, are not listed in this Exhibit 21.
- (2) The Dow Chemical Company effective ownership of Dow Mideast Systems S.A.E. (JSC) is 100% of which Dow Europe Holding B.V. owns 99.96%, Dow Europe GmbH owns 0.020% and Dow InterBranch B.V. owns 0.020%.
- (3) The Dow Chemical Company effective ownership of Dow Türkiye Kimya Sanayi ve Ticaret Ltd Sti is 100% of which Dow Europe Holding B.V. owns 99.87% and Dow InterBranch B.V. owns 0.13%.
- (4) The Dow Chemical Company effective ownership of Mycogen S.A. de C.V. is 100% of which Mycogen Crop Protection, Inc. owns 99% and Agrigenetics, Inc. owns 1%.
- (5) The Dow Chemical Company effective ownership of Dow Quimica de Colombia S.A. is 100% of which The Dow Chemical Company owns 90% and Dow Chemical Inter-American Limited owns 10%.
- (6) The Dow Chemical Company effective ownership of DowBrands L.P. is 100% of which Dow Holdings LLC owns 58% and DC Partnership Management Inc. owns 42%.
- (7) The Dow Chemical Company effective ownership of Dow Venezuela, C.A. is 100% of which The Dow Chemical Company owns 36.06%, Dow AgroSciences B. V. owns 53.84% and Union Carbide Corporation owns 10.1%.
- (8) The Dow Chemical Company effective ownership of Chemtech II L.P. is 77.61% of which Dow Chemical Delaware Corp. owns 72.46% and Ifco Inc. owns 5.15%.
- (9) The Dow Chemical Company effective ownership of Dow AgroSciences LLC is 100% of which Rofan Services Inc. owns 10.09%, Centen Ag Inc. owns 38.91% and Mycogen Corporation owns 51%.
- (10) The Dow Chemical Company effective ownership of Polyol Belgium B.V.B.A. is 100% of which Dow Benelux B.V. owns 99.5% and Dow Europe Holding B.V. owns 0.5%.
- (11) The Dow Chemical Company effective ownership of Chemtech Portfolio Inc. is 92.57% of which Dow Global Technologies Inc. owns 66.82% and Chemtech II L.P. owns 33.18% (The Dow Chemical Company effectively owns 77.61% of Chemtech II L.P.: see note 8 above).
- (12) The Dow Chemical Company effective ownership of Dow S/B Latex (Zhangjiagang) Co. Ltd. is 100% of which Dow Chemical (China) Investment Company Limited owns 61.16% and Dow Financial Holdings Singapore Pte Ltd. owns 38.84%.
- (13) The Dow Chemical Company effective ownership of Dow Chemical (Zhangjiagang) Company Limited is 100% of which Dow Chemical (China) Investment Company Limited owns 56.89% and Dow Financial Holdings Singapore Pte Ltd. owns 43.11%.
- (14) The Dow Chemical Company effective ownership of Fort Saskatchewan Ethylene Storage Limited Partnership is 50% of which Dow Chemical Canada Inc. owns 49.9% and Fort Saskatchewan Ethylene Storage Corporation owns 0.2%. (Midland Pipeline Corp. owns 50% of Fort Saskatchewan Ethylene Storage Corporation.)
- (15) The Dow Chemical Company effective ownership of SAL Petrochemical (Zhangjiagang) Company Limited is 100% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 90%.
- (16) The Dow Chemical Company effective ownership of Mycogen Corporation is 100% of which Centen Ag Inc. owns 11.89% and Rofan Services Inc. owns 88.11%.
- (17) The Dow Chemical Company effective ownership of DowBrands Inc. is 100% of which Dow AgroSciences LLC owns 21% and Dow International Holdings Company owns 79%.
- (18) The Dow Chemical Company effective ownership of PT Dow Chemical Indonesia is 100% of which The Dow Chemical Company owns 84.5991% and Dow Chemical Pacific (Singapore) Private Limited owns 15.4009%.
- (19) The Dow Chemical Company effective ownership of Dow AgroSciences Hungary KFT is 100% of which Dow AgroSciences Switzerland S.A. owns 99.97% and Dow AgroSciences Polska Sp z o.o. owns 0.03%.
- (20) The Dow Chemical Company effective ownership of Ion Holdings LLC is 100% of which The Dow Chemical Company owns 60% and Rofan Services Inc. owns 40%.
- (21) The Dow Chemical Company effective ownership of Dow Quimica Mexicana S.A. de C.V. is 100% of which The Dow Chemical Company owns 84.58% and Union Carbide Corporation owns 15.42%.
- (22) The Dow Chemical Company effective ownership of Dow AgroSciences Argentina S.A. is 100% of which Dow AgroSciences B.V. owns 89.13% and Agrigenetics, Inc. owns 10.87%.
- (23) The Dow Chemical Company effective ownership of Hobbes Capital S.A., a fully consolidated entity, is 48%.
- (24) The Dow Chemical Company effective ownership of Dexco Polymers L.P. is 50% of which DW Dexco Investment LLC owns 49.5% and Dexco Polymers Operating Company LLC owns 1%. (The Dow Chemical Company owns 50% of Dexco Polymers Operating Company LLC).
- (25) The Dow Chemical Company effective ownership of Dow Zwijndrecht B.V.B.A. is 100% of which Dow Europe Holding B.V. owns 99.65% and Dow InterBranch B.V. owns 0.35%.

**Subsidiaries of The Dow Chemical Company**  
**At December 31, 2007**

**EXHIBIT 21**

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- (26) The Dow Chemical Company effective ownership of Dow Quimica Argentina S.A. is 100% of which The Dow Chemical Company owns 87.89%, Union Carbide Corporation owns 11.99% and Union Carbide Pan America, Inc. owns 0.12%.
- (27) The Dow Chemical Company effective ownership of Dow Quimica Chilena S.A. is 100% of which The Dow Chemical Company owns 89.81%, Union Carbide Inter-America Inc. (Delaware) owns 10.16% and Union Carbide Pan America, Inc. owns 0.03%.
- (28) The Dow Chemical Company effective ownership of Dow International Holdings Company is 100% of which The Dow Chemical Company owns 72.36%, Essex Specialty Products LLC owns 8.846%, Union Carbide Corporation owns 18.75% and Dow Chemical International Ltd owns .044%.
- (29) The Dow Chemical Company effective ownership of Modeland International Holdings Inc. is 100% of which Dow Chemical Finance Canada Inc. owns 59.1% and Union Carbide Corporation owns 40.9%.
- (30) The Dow Chemical Company effective ownership of Dow Hungary Kft. is 100% of which Dow Europe Holding B.V. owns 99.98% and Dow InterBranch B.V. owns 0.02%.
- (31) The Dow Chemical Company effective ownership of Productos Quimicos Peruanos S.A. is 100% of which The Dow Chemical Company owns 91.21% and Union Carbide Inter-America Inc. (Delaware) owns 8.79%.
- (32) The Dow Chemical Company effective ownership of Johann Haltermann Ltd. is 100% of which Proresin Inc. owns 99% and Haltermann Incorporated owns 1%.
- (33) The Dow Chemical Company effective ownership of Valuepark Terneuzen C.V. is 50% of which Terneuzen Partnership Services B.V. owns 49.82% and Valuepark Terneuzen Beheer B.V. owns .36%. (Dow Benelux B.V. owns 50% of Valuepark Terneuzen Beheer BV).
- (34) The Dow Chemical Company effective ownership of Dow Chemical International Pvt. Ltd. is 100% of which Dow Chemical Pacific (Singapore) Private Limited owns 99.99% and Dow Chemical (Singapore) Private Limited owns 0.01%.
- (35) The Dow Chemical Company effective ownership of AVC Holdings Inc. is 100% of which The Dow Chemical Company owns 63% and Dow Global Technologies Inc. owns 37%.
- (36) The Dow Chemical Company effective ownership of Dow Investment Argentina S.A. is 100% of which The Dow Chemical Company owns 97.1% and Essex Specialty Products LLC owns 2.9%.
- (37) The Dow Chemical Company effective ownership of Dow AgroSciences India Pvt. Ltd. is 100% of which Dow AgroSciences Agricultural Products Limited owns 99.99% and DAS Agricultural Investment Holding Company Ltd. owns 0.01%.
- (38) The Dow Chemical Company effective ownership of PBBPolisur S.A. is 100% of which Dow Investment Argentina S.A. owns 72% and The Dow Chemical Company owns 28%.
- (39) The Dow Chemical Company effective ownership of Dow Deutschland GmbH & Co OHG is 100% of which Dow Automotive (Deutschland) GmbH owns 35%, SAFECHEM Europe GmbH owns 35% and ANGUS Chemie GmbH owns 30%.
- (40) The Dow Chemical Company effective ownership of DML Holding Inc. is 100% of which The Dow Chemical Company owns 88.84% and Union Carbide Corporation owns 11.16%.
- (41) The Dow Chemical Company effective ownership of GWN Holding, Inc. is 100% of which The Dow Chemical Company owns 88.84% and Union Carbide Corporation owns 11.16%.
- (42) The Dow Chemical Company effective ownership of Dow AgroSciences Bolivia S. A. is 100% of which Dow AgroSciences B.V. owns 99%; Dow AgroSciences Argentina S.A. owns 0.05% and Dow AgroSciences Paraguay S.A. owns 0.05%.
- (43) The Dow Chemical Company effective ownership of Dow AgroSciences Paraguay S. A. is 100% of which Dow AgroSciences B.V. owns 99.99% and Dow AgroSciences Argentina S.A. owns 0.01%.
- (44) The Dow Chemical Company effective ownership of Dow Chemical Korea Limited is 100% of which The Dow Chemical Company owns 85.82%, and Dow Europe Holding B.V. owns 14.18%.
- (45) The Dow Chemical Company effective ownership of Dow Saudi Arabia Company is 100% of which Dow Europe Holding B.V. owns 85%, and Dow Interbranch B.V. owns 15%.
- (46) The Dow Chemical Company effective ownership of Dow Wolff Cellulosics GmbH & Co. OHG is 100% of which ANGUS Chemie GmbH owns 50% and SAFECHEM Europe GmbH owns 50%. Dow Europe Holding B.V. acts as general partner with 0% capital participation.
- (47) The Dow Chemical Company effective ownership of Dow Technology Investment LLC is 100% of which Dow Global Technologies Inc. owns 50% and Union Carbide Chemicals & Plastics Technology Corporation owns 50%.
- (48) The Dow Chemical Company effective ownership of DC Spectrum Holding C.V. is 100% of which Dow International Holdings Company owns 99.999% and Dow Netherlands Holdings LLC owns 0.001%.
- (49) The Dow Chemical Company effective ownership of Cooperatieve DC Prisma Holding U.A. is 100% of which DC Spectrum Holding C.V. owns 99.999% and Dow Netherlands Investments LLC owns 0.001%.
- (50) The Dow Chemical Company effective ownership of DC Galaxy Holding C.V. is 100% of which Dow International Holdings S.A. owns 99.928% and Dow Dutch Holding B.V. owns 0.072%.

**Consent of Independent Registered Public Accounting Firm**

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To the Board of Directors and Stockholders of  
The Dow Chemical Company:

We consent to the incorporation by reference of our reports dated February 14, 2008, relating to the consolidated financial statements and financial statement schedule (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in method of accounting for defined benefit pension and other postretirement plans to conform to Statement of Financial Accounting Standards No. 158), of The Dow Chemical Company, and the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K of The Dow Chemical Company for the year ended December 31, 2007, in the following Registration Statements of The Dow Chemical Company:

Form S-3:

Nos. 333-101647  
333-140859

Form S-4:

No. 333-88443

Form S-8:

Nos. 2-64560  
33-21748  
33-51453  
33-52841  
33-58205  
33-61795  
333-27381  
333-40271  
333-43730  
333-49183  
333-67414  
333-88443  
333-91027  
333-103518  
333-103519  
333-105080  
333-115185  
333-122932  
333-145015  
333-147074

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP  
Midland, Michigan  
February 14, 2008

**Analysis, Research & Planning Corporation's Consent**

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The Dow Chemical Company:

Analysis, Research & Planning Corporation ("ARPC") hereby consents to the use of ARPC's name and the reference to ARPC's reports in this Annual Report on Form 10-K of The Dow Chemical Company for the year ended December 31, 2007, and the incorporation by reference thereof in the following Registration Statements of The Dow Chemical Company:

Form S-3:

Nos. 333-101647  
333-140859

Form S-4:

No. 333-88443

Form S-8:

Nos. 2-64560  
33-21748  
33-51453  
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333-88443  
333-91027  
333-103518  
333-103519  
333-105080  
333-115185  
333-122932  
333-145015  
333-147074

/s/ B. THOMAS FLORENCE

B. Thomas Florence

President

Analysis, Research & Planning Corporation

February 15, 2008



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**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andrew N. Liveris, certify that:

1. I have reviewed this annual report on Form 10-K of The Dow Chemical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2008

/s/ ANDREW N. LIVERIS

Andrew N. Liveris  
President, Chief Executive Officer and  
Chairman of the Board

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**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Geoffery E. Merszei, certify that:

1. I have reviewed this annual report on Form 10-K of The Dow Chemical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2008

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/s/ GEOFFERY E. MERSZEI  
Geoffery E. Merszei  
Executive Vice President and Chief Financial Officer

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**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Andrew N. Liveris, President, Chief Executive Officer and Chairman of the Board of The Dow Chemical Company (the "Company"), certify that:

1. the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris  
President, Chief Executive Officer and  
Chairman of the Board  
February 18, 2008

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**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Geoffery E. Merszei, Executive Vice President and Chief Financial Officer of The Dow Chemical Company (the "Company"), certify that:

1. the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei  
Executive Vice President and Chief Financial Officer  
February 18, 2008